SCUDDER
INVESTMENTS

Annual report to
contract holders for the year
ended December 31, 2001

Annual report

For contract holders of Scudder Destinations[SM]

The Alger American Fund

Credit Suisse

Dreyfus Investment Portfolios

The Dreyfus Socially Responsible Growth Fund, Inc.

INVESCO VIF — Utilities Fund

Scudder Variable Series I

Scudder Variable Series II

Janus Aspen Series

The Alger American Fund

Alger American
Balanced Portfolio

Annual Report

December 31, 2001

Fellow Shareholders:

January 23, 2002

THE YEAR IN REVIEW

By all measures, last year was a difficult one. The equity markets continued to struggle and the economy showed signs of trouble that had not been seen in nearly a decade. These facts were in turn dwarfed in importance by the events of September 11.

Normally, a year-in-review letter assesses the performance of the funds and offers some thoughts about what the future holds. But it has not been a normal year. The attacks of September 11 have altered some of our basic assumptions about American life and the economic consequences have been significant.

In the short-term, the attacks had a devastating effect, first on those who lost family members and then on the national psyche. That, in turn, has had negative effects on consumer confidence, on consumer spending, and from there, on the entire economy. For the third quarter, the U.S. Gross Domestic Product (GDP) declined 1.3%, the first time the economy had contracted since 1993. Fourth quarter GDP staged a surprising comeback with 0.2% growth, but that was not enough to alter the basic fact that the economy dipped into recession in 2001. The unemployment rate reached 5.8% and we expect it to continue to climb somewhat before leveling off. More than 1.5 million jobs were lost as a direct result of September 11. Retail sales slumped, even as auto sales surged as a result of zero-interest financing in October and November; and manufacturing activity slowed substantially.

While the attacks dealt a temporary blow to consumer spending, to the travel industry, and to manufacturing activity, they also led to a vigorous governmental response. Partisan bickering in Washington gave way to a renewed sense of national purpose to confront the dangers of terrorism at home and instability abroad. New spending measures to stimulate the economy will eliminate the federal surplus, which had been a severe drag on economic growth. Also, the Federal Reserve Open Market Committee acted aggressively to cut interest rates multiple times—eleven times in 2001—bringing the Fed Funds rate down from 6.50% to an astonishingly low level of 1.75%.

In addition, however shocking the terrorist attacks were, they should not obscure the fact that the economy was already meandering toward recession before September 11. For the first two quarters of the year, growth was anemic. Before September 11, GDP had barely averaged 1.0% growth over the course of the year. Unemployment was slowly creeping up; consumer confidence was slowly creeping down; and all signs pointed toward an end to the incredible period of economic prosperity that had begun in the early 1990s.

As worrisome as that was, it also represented a natural part of the economic cycle. If anything, September 11 accelerated those trends, and in doing so, set the stage for a recovery that we believe will result in rapid economic growth by the middle of 2002. In many respects, this recession was the result of an inventory correction and terrorism. Throughout 2001, business inventories declined, but they declined at an even faster rate in the fourth quarter. The reason was fairly straightforward: After a marvelous period of growth in the 1990s, corporate capital spending stalled, particularly on new technology. However, inventories had swelled in anticipation of spending that did not materialize. The purge in inventories that occurred in the third and fourth quarters of 2001, while economically painful for many companies, was a healthy and much-needed correction. Now that inventories have been scaled back, growth can resume.

The financial markets reflected the conditions in the overall economy. For the year, the Dow Jones Industrial Average declined 5.4%. The technology-laden Nasdaq Composite Index shed even more of its value, decreasing from 2,471 to 1,950 over the course of the year, a decline of 21.1%. The S&P 500 lost 11.9% for the year. The performance of the equities markets directly mirrored the economic stagnation. Corporate profits were off precipitously in year-over-year figures in almost every sector.

The September 11 attacks closed the markets for four days and the days after they reopened on September 17 were some of the worst in stock market history. However, after this plunge the markets staged a fourth-quarter rally; and during the quarter that began October 1, the Dow gained nearly 14% and the Nasdaq more than 30%. The Dow and Nasdaq Composite were still down for the year which made for two successive years of declines. However, the trend at the end of 2001 was a positive one.

It is a truism that markets recover ahead of the economy. Though it will take some time before the shock of September 11 is fully absorbed, most signs indicate that the economy is poised to rebound, and the markets reflect that fact. Even though the economic news was grim and corporations continue to issue profit warnings, the overwhelming majority of economists look to 2002 for not more of the same, but for renewed and robust growth.

Gains in fixed-income holdings offset most of the equity losses in the Alger American Balanced Portfolio during 2001, leaving the portfolio with a decline of 1.93% for the year. By comparison, the S&P 500 Index lost 11.88% and the Lehman Brothers Government/Corporate Bond Index gained 8.51%. Within the equity portion of the portfolio, losses from technology investments weighed heavily on returns. Investments in consumer discretionary stocks contributed most to performance, followed by those in the health care and industrial sectors. Additional equity investments acquired during 2001 increased the role of the health care sector in the portfolio, with health care representing 31% of the total equity assets as of December 31. Looking ahead, we are encouraged by the emerging consensus that the recession will be brief and steady growth will resume during 2002.

LOOKING AHEAD

We believe that the coming months will continue to see profit warnings and weak economic growth, but the tide has turned. This recession has been a necessary economic correction to the excess inventories and wasteful government budget surpluses that helped cause the downturn in the first place. With the many effects of September 11 being absorbed, the economy appears to have bottomed and begun its recovery. Inflation remains low and interest rates have been dramatically cut, both of which are further signs of an advantageous business climate. Consumer confidence began to surge at the year's end and into the first part of 2002, and we expect that spending will grow steadily. The international climate, with the use of the Euro as the unified currency of the European Union, the entry of China into the World Trade Organization, and the continued predominance of American military and economic power, should only enhance global economic prosperity. Likewise, the multinational response to the threat of terrorism, capped by the defeat of the Taliban and al-Qaeda in Afghanistan, heralds a safer future.

Furthermore, the markets have already absorbed the profit warnings and the economic downturn. The stock market has gone from being overvalued to more reasonable trading levels and equities have started to rebound in anticipation of renewed economic activity in 2002. We fully expect that 2002 will see robust performance in the stock market, perhaps not at the levels of 1999 and early 2000, but still yielding substantial gains. We at Fred Alger Management remain committed to identifying strong companies capable of significant growth in the coming years. By identifying growth markets, strong management teams, and companies that either lead their industries or are poised to assume industry leadership, we will continue to offer investors the opportunity for maximum returns.

Respectfully submitted,

Dan C. Chung
Chief Investment Officer

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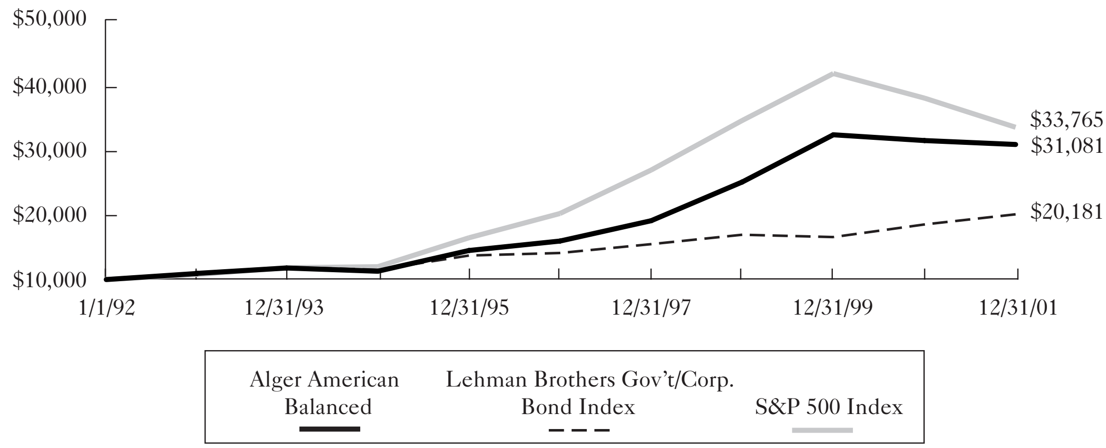
ALGER AMERICAN BALANCED PORTFOLIO

Portfolio Highlights Through December 31, 2001 (Unaudited)

HYPOTHETICAL $10,000 INVESTMENT—10 Years Ended December 31, 2001



The chart above illustrates the growth in value of a hypothetical $10,000 investment made in the Alger American Balanced Portfolio, the S&P 500 Index, and the Lehman Brothers Government/Corporate Bond Index for the ten years ended December 31, 2001. Figures for the Alger American Balanced Portfolio, the S&P 500 Index, an unmanaged index of common stocks, and the Lehman Brothers Government/Corporate Bond Index, an unmanaged index of government and corporate bonds, include reinvestment of dividends and/or interest.

PERFORMANCE COMPARISON THROUGH December 31, 2001

	Average Annual Total Returns			
	1 Year	5 Years	10 Years	Since Inception 9/5/89
Alger American Balanced Portfolio	(1.93%)	14.19%	12.01%	10.85%
S&P 500 Index	(11.88%)	10.70%	12.94%	12.65%
Lehman Brothers Gov't/Corp. Bond Index	8.51%	7.37%	7.27%	8.19%

Performance figures do not reflect deduction of insurance charges against assets or annuities. If these charges were deducted, the total return figures would be lower. Past performance does not guarantee future results.

The Alger American Fund
Alger American Balanced Portfolio
Schedule of Investments—December 31, 2001

Shares	COMMON STOCKS—47.1%	Value
	AEROSPACE & DEFENSE—.3%	
7,650	General Dynamics Corporation	$ 609,246
	BEVERAGES—1.6%	
24,850	Anheuser-Busch Companies, Inc.	1,123,468
49,650	PepsiCo, Inc.	2,417,459
		3,540,927
	BIOTECHNOLOGY—2.7%	
36,300	Amgen Inc.*	2,048,772
14,300	Genzyme Corp. – General Division*	855,998
91,900	Immunex Corporation*	2,546,549
14,000	MedImmune, Inc.*	648,900
		6,100,219
	COMMERCIAL SERVICES & SUPPLIES—3.8%	
59,400	Cendant Corporation*	1,164,834
57,800	eBay Inc.*	3,866,820
44,850	First Data Corporation	3,518,483
		8,550,137
	COMMUNICATION EQUIPMENT—1.8%	
52,050	JDS Uniphase Corporation*	451,794
125,000	Nokia Corporation, ADR	3,066,250
8,700	QUALCOMM Inc.*	439,350
		3,957,394
	COMPUTER SOFTWARE—.4%	
70,600	Oracle Corporation*	974,986
	COMPUTERS & PERIPHERALS—2.2%	
82,050	Dell Computer Corporation*	2,230,119
221,000	Sun Microsystems, Inc.*	2,718,300
		4,948,419
	DIVERSIFIED FINANCIALS—4.2%	
10,850	Capital One Financial Corporation	585,357
58,266	Citigroup Inc.	2,941,268
17,425	Federal Home Loan Mortgage Corporation	1,139,595
61,200	J.P. Morgan Chase & Co.	2,224,620
47,450	Merrill Lynch & Co., Inc.	2,473,094
		9,363,934
	ELECTRONIC EQUIPMENT & INSTRUMENTS—.4%	
24,750	Flextronics International Ltd.*	593,753
18,300	Sanmina-SCI Corporation*	364,170
		957,923
	ENERGY EQUIPMENT & SERVICES—.5%	
19,400	BJ Services Company *	629,530
15,400	Transocean Sedco Forex Inc.	520,828
		1,150,358
	HEALTHCARE EQUIPMENT & SUPPLIES—2.1%	
51,200	Baxter International Inc.	2,745,856
36,800	Medtronic, Inc.	1,884,528
		4,630,384

Shares		Value
	HEALTHCARE PROVIDERS & SERVICES—3.8%	
55,000	AmerisourceBergen Corporation	$ 3,495,250
32,100	Cardinal Health, Inc.	2,075,586
50,600	Tenet Healthcare Corporation*	2,971,232
		8,542,068
	INDUSTRIAL CONGLOMERATES—3.1%	
71,350	General Electric Company	2,859,708
70,850	Tyco International Ltd.	4,173,065
		7,032,773
	INSURANCE—2.0%	
36,400	American International Group, Inc.	2,890,160
16,650	Chubb Corporation (The)	1,148,850
5,050	Marsh & McLennan Companies, Inc.	542,623
		4,581,633
	INTERNET SOFTWARE & SERVICES—.5%	
28,300	VeriSign, Inc.*	1,076,531
	MEDIA—1.1%	
46,300	AOL Time Warner Inc.*	1,486,230
22,150	Viacom Inc. Cl. B*	977,923
		2,464,153
	MULTILINE RETAIL—1.5%	
60,250	Wal-Mart Stores, Inc.	3,467,387
	OIL & GAS—1.3%	
31,707	ChevronTexaco Corporation	2,841,263
	PHARMACEUTICALS—6.1%	
26,850	Abbott Laboratories	1,496,888
50,738	American Home Products Corporation	3,113,284
11,100	Forest Laboratories, Inc.*	909,645
47,600	Johnson & Johnson	2,813,160
16,700	King Pharmaceuticals, Inc.*	703,571
46,000	Merck & Co., Inc.	2,704,800
49,125	Pfizer Inc.	1,957,630
		13,698,978
	SEMICONDUCTORS—3.0%	
24,950	Analog Devices, Inc.*	1,107,531
41,150	Intel Corporation	1,294,167
13,600	Linear Technology Corporation	530,944
29,300	Micron Technology, Inc.*	908,300
139,600	Taiwan Semiconductor Manufacturing Company Ltd.*	2,396,932
20,400	Texas Instruments Incorporated	571,200
		6,809,074
	SOFTWARE—2.2%	
31,500	Intuit Inc.*	1,347,570
54,650	Microsoft Corporation*	3,620,563
		4,968,133

Shares	COMMON STOCKS (Cont'd)	Value
	SPECIALTY RETAIL—1.8%	
10,500	Best Buy Co., Inc.*	$ 782,040
43,000	Home Depot, Inc.	2,193,430
24,500	Lowe's Companies, Inc.	1,137,045
		4,112,515
	TOBACCO—.7%	
36,050	Philip Morris Companies Inc.	1,652,893
	Total Common Stocks (Cost $101,164,788)	106,031,328

Principal Amount	CORPORATE BONDS—15.8%	Value
	AEROSPACE & DEFENSE—.7%	
$1,750,000	United Technologies, 6.35%, 3/1/11	1,769,547
	BANKS—2.9%	
2,000,000	Associates Corp., North America, 6.95%, 11/1/18	2,064,580
1,000,000	Bank of America Corp., 7.125%, 9/15/06	1,068,980
260,000	Chase Manhattan Corporation, 8.50%, 2/15/02	261,849
1,500,000	FleetBoston Financial Corp., 7.25%, 9/15/05	1,611,630
1,500,000	Wells Fargo & Co., 5.90%, 5/21/06	1,542,030
		6,549,069
	BEVERAGES—.6%	
1,500,000	Anheuser-Busch Companies, Inc., 7.00%, 12/1/25	1,538,280
	DIVERSIFIED FINANCIALS—2.0%	
500,000	Block Financial Corp., 8.50%, 4/15/07	541,250
1,300,000	CIT Group, Inc., 7.125%, 10/15/04	1,384,162
1,250,000	Household Finance Corp., 7.20%, 7/15/06	1,317,950
1,250,000	Merrill Lynch & Co., Inc., 6.00%, 2/17/09	1,236,200
		4,479,562
	DIVERSIFIED TELECOMMUNICATION SERVICES—.5%	
1,250,000	SBC Communications Inc., 6.25%, 3/15/11	1,262,012
	ELECTRIC UTILITIES—1.0%	
1,250,000	Duke Capital Corp., 7.25%, 10/1/04	1,322,138
400,000	Potomac Electric Power Co., 7.00%, 1/15/24	376,904
500,000	Washington Gas Light Co., 6.51%, 8/18/08	504,775
		2,203,817
	FINANCIAL SERVICES—.4%	
$ 800,000	Goldman, Sachs Group, 6.65%, 5/15/09	$ 811,440
	FOOD & BEVERAGES—1.0%	
2,250,000	Coca-Cola Company (The), 5.75%, 3/15/11	2,210,625
	FOOD CHAINS—.5%	
1,000,000	Safeway Inc., 6.15%, 3/1/06	1,029,150
	INDUSTRIAL CONGLOMERATES—.8%	
1,750,000	Tyco International Group SA, 6.75%, 2/15/11	1,764,735
	INSURANCE—.7%	
1,000,000	GE Global Insurance, 7.50%, 6/15/10	1,117,880
500,000	Loews Corp., 7.625%, 6/1/23	488,750
		1,606,630
	LEASING—.9%	
1,000,000	International Lease Finance Corp., 6.00%, 6/15/03	1,031,950
1,000,000	International Lease Finance Corp., 5.80%, 8/15/07	979,160
		2,011,110
	LEISURE & ENTERTAINMENT—.7%	
1,500,000	Disney (Walt) Company, 4.875%, 7/2/04	1,507,560
	MULTILINE RETAIL—1.4%	
1,500,000	Target Corporation, 6.35%, 1/15/11	1,531,335
1,500,000	Wal-Mart Stores, Inc., 5.45%, 8/1/06	1,531,680
		3,063,015
	OIL & GAS—1.2%	
1,500,000	Baker Hughes Inc., 6.25%, 1/15/09	1,514,430
1,080,000	Chevron Corp., 6.625%, 10/1/04	1,150,567
		2,664,997
	PHARMACEUTICALS—.5%	
1,000,000	Pharmacia Corporation, 6.50%, 12/1/18	1,013,240
	Total Corporate Bonds (Cost $35,088,553)	35,484,789

Principal Amount	U.S. GOVERNMENT & AGENCY OBLIGATIONS—25.4%	Value
	Federal Farm Credit Banks,	
$2,000,000	5.87%, 9/2/08	$ 2,051,200
1,000,000	5.75%, 1/18/11	995,910
	Federal Home Loan Banks,	
1,260,000	5.765%, 3/18/03	1,309,179
2,000,000	5.25%, 2/13/04	2,068,760
1,500,000	7.25%, 5/13/05	1,639,380
1,000,000	6.375%, 8/15/06	1,064,500
1,000,000	6.75%, 8/15/07	1,082,060
2,000,000	5.875%, 11/15/07	2,074,520
1,000,000	5.89%, 6/30/08	1,032,920
2,000,000	6.73%, 6/22/09	2,149,080
	Federal Home Loan Mortgage Corporation,	
1,000,000	5.125%, 11/4/04	1,020,220
1,000,000	5.65%, 4/25/06	1,025,810
1,115,000	7.10%, 4/10/07	1,224,292
800,000	5.75%, 4/15/08	821,504
1,500,000	6.75%, 3/15/31	1,590,240
	Federal National Mortgage Association,	
1,000,000	7.125%, 2/15/05	1,087,120
500,000	6.96%, 4/2/07	545,545
2,000,000	6.08%, 12/15/10	2,045,480
400,000	6.75%, 2/4/28	381,000
	Student Loan Marketing Association,	
1,000,000	5.25%, 3/15/06	1,020,720
	U.S. Treasury Notes,	
1,000,000	6.50%, 3/31/02	1,011,410
1,500,000	6.375%, 4/30/02	1,522,260
2,000,000	6.25%, 7/31/02	2,051,260
800,000	6.25%, 2/15/03	835,376
1,000,000	4.625%, 2/28/03	1,027,190
1,000,000	4.25%, 5/31/03	1,024,530
1,000,000	3.625%, 8/31/03	1,013,910
1,000,000	4.25%, 11/15/03	1,023,910
800,000	6.00%, 8/15/04	849,248
1,000,000	5.875%, 11/15/04	1,058,440
3,000,000	6.75%, 5/15/05	3,262,020
1,500,000	6.50%, 5/15/05	1,618,830
3,000,000	5.75%, 11/15/05	3,168,750
800,000	6.50%, 10/15/06	870,000
1,500,000	6.125%, 8/15/07	1,612,740
800,000	5.625%, 5/15/08	838,376
1,000,000	11.25%, 2/15/15	1,533,440
1,000,000	9.875%, 11/15/15	1,413,590
1,000,000	9.25%, 2/15/16	1,351,720

Principal Amount			Value
	U.S. Treasury Notes, (cont'd)		
$ 1,000,000	7.25%, 5/15/16		$ 1,155,470
1,000,000	7.50%, 11/15/16		1,182,970
1,000,000	8.875%, 8/15/17		1,328,440
	Total U.S. Government & Agency Obligations (Cost $56,050,142)		56,983,320
	SHORT-TERM INVESTMENTS—9.9%		
	U.S. GOVERNMENT & AGENCY OBLIGATIONS—9.8%		
22,000,000	Federal National Mortgage Association, 1.43%, 1/2/02 **(Cost $21,999,126)**		21,999,126
	SECURITIES HELD UNDER REPURCHASE AGREEMENTS—.1%		
	Securities Held Under Repurchase Agreements, 1.65%, 01/02/02, with Bear, Stearns & Co. Inc., dtd 12/31/01, repurchase price $326,126; collateralized by $325,000 U.S. Treasury Bonds, 3.625%, due 4/15/28		326,096
	Total Short-Term Investments (Cost $22,325,222)		22,325,222
Total Investments (Cost $214,628,705) (a)		98.2%	220,824,659
Other Assets in Excess of Liabilities		1.8	4,133,879
Net Assets		100.0%	$224,958,538

* Non-income producing security.

(a) At December 31, 2001, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $214,628,705, amounted to $6,195,954 which consisted of aggregate gross unrealized appreciation of $11,772,335 and aggregate gross unrealized depreciation of $5,576,381.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

For a share outstanding throughout the year

	Year Ended December 31,				
	2001	2000	1999	1998	1997
Net asset value, beginning of year	$ 13.77	$ 15.57	$ 12.98	$ 10.76	$ 9.24
Net investment income	0.18	0.20	0.15	0.19	0.17
Net realized and unrealized gain (loss) on investments	(0.43)	(0.61)	3.45	3.02	1.63
Total from investment operations	(0.25)	(0.41)	3.60	3.21	1.80
Dividends from net investment income	(0.20)	(0.13)	(0.17)	(0.18)	(0.12)
Distributions from net realized gains	(0.24)	(1.26)	(0.84)	(0.81)	(0.16)
Total Distributions	(0.44)	(1.39)	(1.01)	(0.99)	(0.28)
Net asset value, end of year	$ 13.08	$ 13.77	$ 15.57	$ 12.98	$ 10.76
Total Return	(1.93%)	(2.76%)	29.21%	31.51%	19.82%
Ratios and Supplemental Data:					
Net assets, end of year (000's omitted)	$224,959	$115,894	$56,327	$28,208	$16,614
Ratio of expenses to average net assets	0.85%	0.88%	0.93%	0.92%	1.01%
Ratio of net investment income to average net assets	2.53%	2.40%	1.66%	2.09%	2.14%
Portfolio Turnover Rate	62.93%	63.37%	118.74%	94.64%	105.01%

See Notes to Financial Statements.

The Alger American Fund
Alger American Balanced Portfolio
Statement of Assets and Liabilities

December 31, 2001

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	$220,824,659
Receivable for investment securities sold	2,187,748
Receivable for shares of beneficial interest sold	1,280,635
Interest and dividends receivable	1,488,570
Other assets	5,110
Total Assets	225,786,722
Liabilities:	
Payable for investment securities purchased	590,463
Payable for shares of beneficial interest redeemed	61,127
Accrued investment management fees	137,880
Accrued expenses	38,714
Total Liabilities	828,184
Net Assets	$224,958,538
Net Assets Consist of:	
Paid-in capital	$228,380,129
Undistributed net investment income (accumulated loss)	4,054,635
Undistributed net realized loss	(13,672,180)
Net unrealized appreciation (depreciation)	6,195,954
Net Assets	$224,958,538
Shares of beneficial interest outstanding—Note 5	17,203,203
Net Asset Value Per Share	$ 13.08
*Identified cost	$214,628,705

See Notes to Financial Statements.

The Alger American Fund
Alger American Balanced Portfolio
Statement of Operations

For the year ended December 31, 2001

INVESTMENT INCOME	
Income:	
Interest	$ 4,892,378
Dividends	525,601
Total Income	5,417,979
Expenses:	
Management fees — Note 3(a)	1,201,281
Custodian fees	59,980
Transfer agent fees	32,034
Professional fees	13,388
Trustees' fees	3,000
Miscellaneous	51,429
Total Expenses	1,361,112
Net Investment Income	4,056,867
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	
Net realized loss on investments	(12,740,137)
Net change in unrealized appreciation (depreciation) on investments	6,282,853
Net realized and unrealized gain (loss) on investments	(6,457,284)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ (2,400,417)

See Notes to Financial Statements.

The Alger American Fund
Alger American Balanced Portfolio
Statement of Changes in Net Assets

For the year ended December 31, 2001

Net investment income	$ 4,056,867
Net realized loss on investments	(12,740,137)
Net change in unrealized appreciation (depreciation) on investments	6,282,853
Net decrease in net assets resulting from operations	(2,400,417)
Dividends to shareholders:	
Net investment income	(2,131,825)
Net realized gains	(2,594,824)
Net increase from shares of beneficial interest transactions—Note 5	116,191,618
Total increase	109,064,552
Net Assets	
Beginning of year	115,893,986
End of year	$224,958,538
Undistributed net investment income (accumulated loss)	$ 4,054,635

The Alger American Fund
Alger American Balanced Portfolio
Statement of Changes in Net Assets

For the year ended December 31, 2000

Net investment income	$ 2,128,947
Net realized gain on investments	1,823,334
Net change in unrealized appreciation (depreciation) on investments	(9,001,489)
Net decrease in net assets resulting from operations	(5,049,208)
Dividends to shareholders:	
Net investment income	(665,331)
Net realized gains	(6,345,846)
Net increase from shares of beneficial interest transactions—Note 5	71,627,863
Total increase	59,567,478
Net Assets	
Beginning of year	56,326,508
End of year	$115,893,986
Undistributed net investment income (accumulated loss)	$ 1,463,616

See Notes to Financial Statements.

December 31, 2001

NOTE 1—General:

The Alger American Fund (the “Fund”) is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the American Balanced Portfolio (the “Portfolio”). The Portfolio’s investment objectives are current income and long-term capital appreciation which it seeks to achieve through investing in equity and fixed income securities. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

NOTE 2—Significant Accounting Policies:

(a) *Investment Valuation:* Investments of the Portfolio are valued on each day the New York Stock Exchange (“NYSE”) is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed and unlisted securities for which such information is regularly reported are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and the asked price, or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Securities for which market quotations are not readily available are valued according to procedures established by the Board of Trustees to determine fair value in good faith.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

(b) *Security Transactions and Investment Income:* Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

Effective January 1, 2001, premiums and discounts on debt securities purchased are amortized or accreted over the lives of the respective securities. This change in accounting policy which has been applied retroactively had no material effect on the accompanying financial statements.

(c) *Repurchase Agreements:* The Portfolio enters into repurchase agreements with approved institutions. The repurchase agreements are collateralized by U.S. Government securities, which are either received and held in physical possession by the custodian or received by such custodian in book-entry form through the Federal Reserve book-entry system. The collateral is valued on a daily basis during the term of the agreement to ensure that its value equals or exceeds the agreed-upon repurchase price to be repaid to the Portfolio. Additional collateral is obtained when necessary.

(d) *Lending of Portfolio Securities:* The Portfolio lends its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one-third of the Portfolio’s total assets, as defined. The Portfolio earns fees on the securities loaned, which are included in interest income in the accompanying Statement of Operations. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day.

(e) *Dividends to Shareholders:* Dividends and distributions payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio’s distributions may be shown in the accompanying financial statements as either from or in excess of net investment income or net realized gain on investment transactions, or from paid-in capital, depending on the type of book/tax differences that may exist.

At December 31, 2001, the Portfolio reclassified $10,289 from undistributed net investment loss to either accumulated undistributed net realized gain or paid-in capital. The reclassification had no impact on the net asset value of the Portfolio and is designed to present the Portfolio’s capital accounts on a tax basis.

(f) *Federal Income Taxes:* It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income, including net realized capital gains, to its shareholders. Therefore, no federal income tax provision is required. The Portfolio is treated as a separate entity for the purpose of determining such compliance. At December 31, 2001, the net capital loss carryforward of the Portfolio, which may be used to offset future net realized gains was approximately $13,306,000, and expires in 2009.

(g) *Expenses:* The Fund accounts separately for the assets, liabilities and operations of each portfolio. Expenses directly attributable to each portfolio are charged to that portfolio's operations; expenses which are applicable to all portfolios are allocated among them.

(h) *Other:* These financial statements have been prepared using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3—Investment Management Fees and Other Transactions with Affiliates:

(a) *Investment Management Fees:* Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the annual rate of .75%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, exceed 1.25% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

(b) *Brokerage Commissions:* During the year ended December 31, 2001, the Portfolio paid Fred Alger & Company, Incorporated ("Alger Inc.") $189,328 in connection with securities transactions.

(c) *Transfer Agency Fees:* The Portfolio has entered into a transfer agency agreement with Alger Shareholder Services, Inc. ("Services"), an affiliate of Alger Management, whereby Services will act as transfer agent for the Portfolio.

(d) Certain trustees and officers of the Portfolio are directors and officers of Alger Management, Alger Inc. and Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, of the Portfolio for the year ended December 31, 2001, were $188,513,182 and $89,255,094, respectively.

NOTE 5—Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value.

During the year ended December 31, 2001, transactions of shares of beneficial interest of the Portfolio were as follows:

	Shares	Amount
Shares sold	10,427,638	$137,648,938
Dividends reinvested	348,830	4,726,649
	10,776,468	142,375,587
Shares redeemed	(1,990,212)	(26,183,969)
Net increase	8,786,256	$116,191,618

During the year ended December 31, 2000, transactions of shares of beneficial interest of the Portfolio were as follows:

	Shares	Amount
Shares sold	5,060,288	$ 76,037,588
Dividends reinvested	501,509	7,011,104
	5,561,797	83,048,692
Shares redeemed	(763,319)	(11,420,829)
Net increase	4,798,478	$ 71,627,863

NOTE 6—Distributions to Shareholders:

The tax character of distributions paid during 2001 and 2000 was as follows:

	2001	2000
Distributions paid from:		
Ordinary Income	$2,131,825	$ 5,463,779
Long-term capital gain	2,594,824	1,547,398
Total distributions paid	$4,726,649	$ 7,011,177

As of December 31, 2001 the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ 4,054,635
Undistributed long-term gain	—
Capital loss carryforward	(13,306,437)
Unrealized appreciation (depreciation)	6,195,954

The difference between book basis and tax-basis undistributed long-term gain is attributable primarily to the tax deferral of losses on wash sales, post October 31 losses and net short-term capital gains taxed as ordinary income.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

**To the Shareholders and Board of Trustees
of The Alger American Fund:**

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Alger American Balanced Portfolio (one of the portfolios comprising The Alger American Fund, a Massachusetts business trust) as of December 31, 2001, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2001, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Alger American Balanced Portfolio of The Alger American Fund as of December 31, 2001, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

New York, New York
January 24, 2002

Trustees and Officers of the Fund

The Fund is governed by a Board of Trustees which is responsible for protecting the interests of shareholders under Massachusetts law. Information about the Trustees and officers of the Fund is set forth below. In the table the term "Alger Fund Complex" refers to the Fund, The Alger Fund, The Alger Retirement Fund, Spectra Fund and Castle Convertible Fund, Inc., each of which is a registered investment company managed by Fred Alger Management, Inc. ("Alger Management"). Each Trustee serves until an event of termination, such as death or resignation, or until his successor is duly elected; each officer's term of office is one year. Unless otherwise noted, the address of each person named below is 30 Montgomery St., Jersey City, NJ 07302.

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
Fred M. Alger III (67) Chairman of the Board	Chairman of the Board and President of Alger Associates, Inc. ("Associates"), Fred Alger & Company, Incorporated ("Alger Inc."), Alger Management, Alger Properties, Inc. ("Properties"), Alger Shareholder Services, Inc. ("Services"), Alger Life Insurance Agency, Inc. ("Agency"), Fred Alger International Advisory S.A. ("International"), and the five funds in the Alger Fund Complex; Chairman of the Boards of Alger SICAV ("SICAV") and Analysts Resources, Inc. ("ARI").	1988	20
Gregory S. Duch (50) Treasurer	Executive Vice President, Treasurer and Director of Alger Management, Properties, Associates, Alger, Inc., ARI, Services and Agency; Treasurer and Director of International; Treasurer of the five funds in the Alger Fund Complex. Chairman of the Board and President of Alger National Trust Company ("Trust").	1989	N/A
Dorothy G. Sanders (46) Secretary	Senior Vice President, General Counsel and Secretary of Alger Inc., General Counsel and Secretary of Associates, Agency, Properties, Services, ARI and Alger Management; Secretary of International, and the five funds in the Alger Fund Complex. Formerly Senior Vice President, Fleet Financial Group.	2000	N/A
Frederick A. Blum (48) Assistant Secretary and Assistant Treasurer	Senior Vice President of Alger Management; Assistant Treasurer and Assistant Secretary of the five funds in the Alger Fund Complex. Senior Vice President and Treasurer of Trust.	1996	N/A
Non-Interested Trustees			
Stephen E. O'Neil (69) Trustee 200 East 66th Street New York, NY 10021	Attorney; Private investor since 1981; Director of NAHC, Inc. and Brown Forman Corporation; Trustee/Director of the five funds in the Alger Fund Complex; formerly of Counsel to the law firm of Kohler & Barnes; formerly President and Vice Chairman of City Investing Company and Director of Centerre Bancorporation and Syntro Corporation.	1988	20
Nathan E. Saint-Amand, M.D. (64) Trustee 2 East 88th Street New York, NY 10128	Medical doctor in private practice; Co-Partner Fishers Island Partners; Member of the Board of the Manhattan Institute; Trustee/Director of the five funds in the Alger Fund Complex. Formerly Co-Chairman Special Projects Committee of Memorial Sloan Kettering.	1988	20

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
B. Joseph White (54) Trustee University of Michigan 701 Tappan Street Ann Arbor, MI 48109	Interim President, University of Michigan; Senior Fellow, William Davidson Institute at the University of Michigan Business School; Professor of Business Administration, University of Michigan Business School; Director, Gordon Food Service and Castle; Trustee and Chair, Audit Committee, Equity Residential Properties Trust; Director and Chair, Compensation Committee, Kelly Services, Inc.; Trustee/Director of the five funds in the Alger Fund Complex.	1999	20

Mr. Alger is an "interested person" (as defined in the Investment Company Act) of the Fund because of his affiliations with Alger Management and Alger Inc., the Fund's principal underwriter. No Trustee is a director of any public company except as may be indicated under "Principal Occupations." No director, officer or employee of Alger Management or its affiliates receives any compensation from the Fund for serving as an officer or Trustee of the Fund. The Fund pays each independent Trustee $1,500 for each meeting he attends, to a maximum of $6,000, plus travel expenses incurred for attending the meeting. The Fund did not offer its Trustees any pension or retirement benefits during or prior to the fiscal year ended December 31, 2001.

The Statement of Additional Information contains additional information about the Fund's Trustees and is available without charge upon request by calling (800) 992-3863.

The Alger American Fund

Alger American
Leveraged AllCap Portfolio

Annual Report

December 31, 2001

Fellow Shareholders:

January 23, 2002

THE YEAR IN REVIEW

By all measures, last year was a difficult one. The equity markets continued to struggle and the economy showed signs of trouble that had not been seen in nearly a decade. These facts were in turn dwarfed in importance by the events of September 11.

Normally, a year-in-review letter assesses the performance of the funds and offers some thoughts about what the future holds. But it has not been a normal year. The attacks of September 11 have altered some of our basic assumptions about American life and the economic consequences have been significant.

In the short-term, the attacks had a devastating effect, first on those who lost family members and then on the national psyche. That, in turn, has had negative effects on consumer confidence, on consumer spending, and from there, on the entire economy. For the third quarter, the U.S. Gross Domestic Product (GDP) declined 1.3%, the first time the economy had contracted since 1993. Fourth quarter GDP staged a surprising comeback with 0.2% growth, but that was not enough to alter the basic fact that the economy dipped into recession in 2001. The unemployment rate reached 5.8% and we expect it to continue to climb somewhat before leveling off. More than 1.5 million jobs were lost as a direct result of September 11. Retail sales slumped, even as auto sales surged as a result of zero-interest financing in October and November; and manufacturing activity slowed substantially.

While the attacks dealt a temporary blow to consumer spending, to the travel industry, and to manufacturing activity, they also led to a vigorous governmental response. Partisan bickering in Washington gave way to a renewed sense of national purpose to confront the dangers of terrorism at home and instability abroad. New spending measures to stimulate the economy will eliminate the federal surplus, which had been a severe drag on economic growth. Also, the Federal Reserve Open Market Committee acted aggressively to cut interest rates multiple times—eleven times in 2001—bringing the Fed Funds rate down from 6.50% to an astonishingly low level of 1.75%.

In addition, however shocking the terrorist attacks were, they should not obscure the fact that the economy was already meandering toward recession before September 11. For the first two quarters of the year, growth was anemic. Before September 11, GDP had barely averaged 1.0% growth over the course of the year. Unemployment was slowly creeping up; consumer confidence was slowly creeping down; and all signs pointed toward an end to the incredible period of economic prosperity that had begun in the early 1990s.

As worrisome as that was, it also represented a natural part of the economic cycle. If anything, September 11 accelerated those trends, and in doing so, set the stage for a recovery that we believe will result in rapid economic growth by the middle of 2002. In many respects, this recession was the result of an inventory correction and terrorism. Throughout 2001, business inventories declined, but they declined at an even faster rate in the fourth quarter. The reason was fairly straightforward: After a marvelous period of growth in the 1990s, corporate capital spending stalled, particularly on new technology. However, inventories had swelled in anticipation of spending that did not materialize. The purge in inventories that occurred in the third and fourth quarters of 2001, while economically painful for many companies, was a healthy and much-needed correction. Now that inventories have been scaled back, growth can resume.

The financial markets reflected the conditions in the overall economy. For the year, the Dow Jones Industrial Average declined 5.4%. The technology-laden Nasdaq Composite Index shed even more of its value, decreasing from 2,471 to 1,950 over the course of the year, a decline of 21.1%. The S&P 500 lost 11.9% for the year. The performance of the equities markets directly mirrored the economic stagnation. Corporate profits were off precipitously in year-over-year figures in almost every sector.

The September 11 attacks closed the markets for four days and the days after they reopened on September 17 were some of the worst in stock market history. However, after this plunge the markets staged a fourth-quarter rally; and during the quarter that began October 1, the Dow gained nearly 14% and the Nasdaq more than 30%. The Dow and Nasdaq Composite were still down for the year which made for two successive years of declines. However, the trend at the end of 2001 was a positive one.

It is a truism that markets recover ahead of the economy. Though it will take some time before the shock of September 11 is fully absorbed, most signs indicate that the economy is poised to rebound, and the markets reflect that fact. Even though the economic news was grim and corporations continue to issue profit warnings, the overwhelming majority of economists look to 2002 for not more of the same, but for renewed and robust growth.

The Alger American Leveraged AllCap Portfolio declined 15.93% during 2001, while the S&P 500 lost 11.88%. Gains from the portfolio's investments in consumer discretionary, industrial, and health care stocks were outweighed by losses principally from the information technology and financial sectors. Over the course of the year, we bolstered the portfolio's holdings in the consumer discretionary and health care sectors, which held up better in the weak economy, and reduced holdings in utilities and consumer staples. As a result of these and other actions, the health care and consumer discretionary sectors together comprised approximately 55% of the portfolio at year's end. In keeping with our long-term growth strategy, we also maintained significant exposure to information technology, which represented more than 21% of the portfolio as of December 31. We believe that our research-driven stock selection process has positioned the portfolio to benefit from the resumption of economic growth expected during 2002.

LOOKING AHEAD

We believe that the coming months will continue to see profit warnings and weak economic growth, but the tide has turned. This recession has been a necessary economic correction to the excess inventories and wasteful government budget surpluses that helped cause the downturn in the first place. With the many effects of September 11 being absorbed, the economy appears to have bottomed and begun its recovery. Inflation remains low and interest rates have been dramatically cut, both of which are further signs of an advantageous business climate. Consumer confidence began to surge at the year's end and into the first part of 2002, and we expect that spending will grow steadily. The international climate, with the use of the Euro as the unified currency of the European Union, the entry of China into the World Trade Organization, and the continued predominance of American military and economic power, should only enhance global economic prosperity. Likewise, the multinational response to the threat of terrorism, capped by the defeat of the Taliban and al-Qaeda in Afghanistan, heralds a safer future.

Furthermore, the markets have already absorbed the profit warnings and the economic downturn. The stock market has gone from being overvalued to more reasonable trading levels and equities have started to rebound in anticipation of renewed economic activity in 2002. We fully expect that 2002 will see robust performance in the stock market, perhaps not at the levels of 1999 and early 2000, but still yielding substantial gains. We at Fred Alger Management remain committed to identifying strong companies capable of significant growth in the coming years. By identifying growth markets, strong management teams, and companies that either lead their industries or are poised to assume industry leadership, we will continue to offer investors the opportunity for maximum returns.

Respectfully submitted,

Dan C. Chung
Chief Investment Officer

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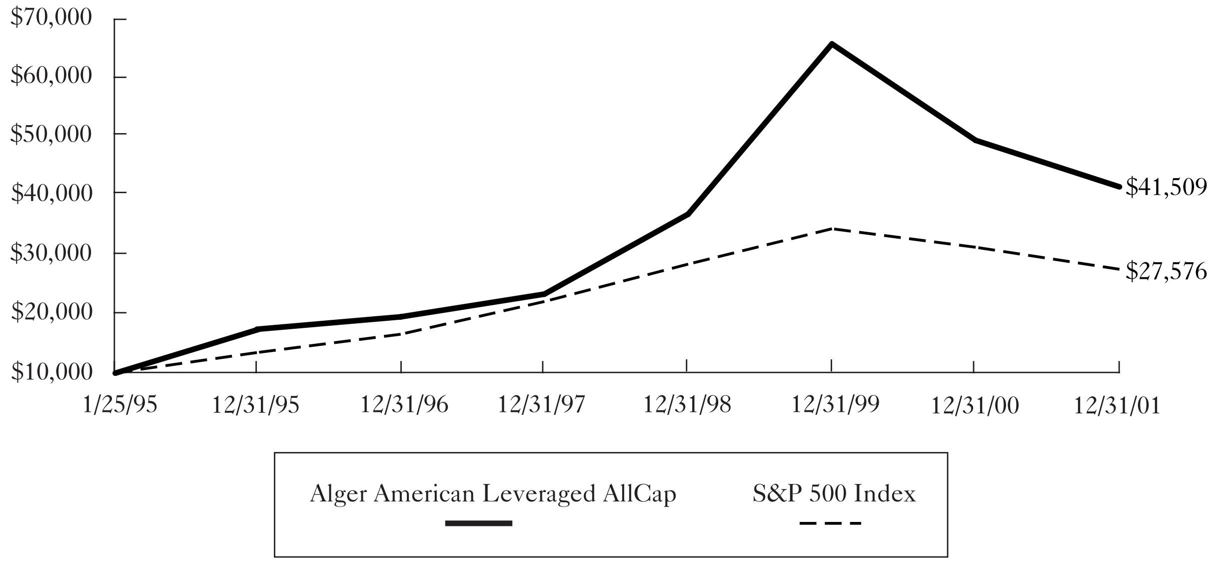
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO

Portfolio Highlights Through December 31, 2001 (Unaudited)

HYPOTHETICAL $10,000 INVESTMENT FROM JANUARY 25, 1995 TO DECEMBER 31, 2001



The chart above illustrates the growth in value of a hypothetical $10,000 investment made in the Alger American Leveraged AllCap Portfolio and the S&P 500 Index on January 25, 1995, the inception date of the Alger American Leveraged AllCap Portfolio, through December 31, 2001. The figures for both the Alger American Leveraged AllCap Portfolio and the S&P 500 Index, an unmanaged index of common stocks, include reinvestment of dividends.

PERFORMANCE COMPARISON THROUGH December 31, 2001

	Average Annual Total Returns		
	1 Year	5 Years	Since Inception 1/25/95
Alger American Leveraged AllCap Portfolio	(15.93%)	16.28%	22.77%
S&P 500 Index	(11.88%)	10.70%	15.75%

Performance figures do not reflect deduction of insurance charges against assets or annuities. If these charges were deducted, the total return figures would be lower. Past performance does not guarantee future results.

Shares	COMMON STOCKS—92.1%	Value
	BANKS—.5%	
56,000	Commerce Bancorp, Inc.	$ 2,203,040
	BIOTECHNOLOGY—9.8%	
92,150	Amgen Inc.*	5,200,946
40,000	Biogen, Inc. *	2,294,000
39,200	Cephalon, Inc.*	2,962,932
117,100	Genentech, Inc.*	6,352,675
142,450	Genzyme Corp. – General Division*	8,527,057
109,850	IDEC Pharmaceuticals Corporation*	7,571,961
298,200	Immunex Corporation*	8,263,122
69,400	Protein Design Labs, Inc.*	2,276,320
		43,449,013
	BUILDING & CONSTRUCTION—1.3%	
83,500	D.R. Horton, Inc.	2,710,410
62,100	Lennar Corporation	2,907,522
		5,617,932
	BUSINESS SERVICES—.5%	
79,000	Siebel Systems Inc.*	2,210,420
	COMMERCIAL SERVICES & SUPPLIES—7.7%	
46,550	BISYS Group, Inc. (The)*	2,978,735
67,700	Career Education Corporation*	2,320,756
158,800	Concord EFS Inc.*	5,205,464
224,950	eBay Inc.*	15,049,155
111,700	First Data Corporation	8,762,865
		34,316,975
	COMMUNICATION EQUIPMENT—7.4%	
133,600	Brocade Communications Systems, Inc.*	4,424,832
117,100	Emulex Corporation*	4,626,621
520,800	Nokia Corporation, ADR	12,775,224
68,800	Polycom, Inc.*	2,344,016
86,700	QUALCOMM Inc.*	4,378,350
146,600	UTStarcom, Inc.*	4,178,100
		32,727,143
	COMPUTER SOFTWARE—.8%	
55,900	NVIDIA Corporation*	3,739,710
	DIVERSIFIED FINANCIALS—11.5%	
101,500	Capital One Financial Corporation	5,475,925
400,733	Citigroup Inc.	20,229,002
224,800	Merrill Lynch & Co., Inc.	11,716,576
56,800	Moody's Corporation	2,264,048
200,950	Morgan Stanley Dean Witter & Co.	11,241,143
		50,926,694
	ELECTRONIC EQUIPMENT & INSTRUMENTS—.3%	
31,700	Waters Corporation*	1,228,375

Shares		Value
	HEALTHCARE EQUIPMENT & SUPPLIES—4.2%	
108,200	Baxter International Inc.	$ 5,802,765
91,500	Boston Scientific Corporation*	2,206,980
155,600	Guidant Corporation*	7,748,880
37,000	St. Jude Medical, Inc.*	2,873,050
		18,631,675
	HEALTHCARE PROVIDERS & SERVICES—6.5%	
178,400	AmerisourceBergen Corporation	11,337,320
25,700	Anthem, Inc.*	1,272,150
48,400	Cardinal Health, Inc.	3,129,544
24,550	Laboratory Corporation of America Holdings*	1,984,868
83,350	McKesson Corporation	3,117,290
140,650	Tenet Healthcare Corporation*	8,258,968
		29,100,140
	HOTELS, RESTAURANTS & LEISURE—1.4%	
207,750	Brinker International, Inc.*	6,182,640
	INDUSTRIAL CONGLOMERATES—3.1%	
231,300	Tyco International Ltd.	13,623,570
	INFORMATION TECHNOLOGY CONSULTING & SERVICES—.9%	
37,400	Affiliated Computer Services, Inc. Cl. A*	3,969,261
	INSURANCE—2.6%	
147,455	American International Group, Inc.	11,707,927
	MEDIA—1.6%	
137,950	AOL Time Warner Inc.*	4,428,195
16,500	TMP Worldwide Inc.*	707,850
48,800	Viacom Inc. Cl. B*	2,154,520
		7,290,565
	MULTILINE RETAIL—4.0%	
67,100	Family Dollar Stores, Inc.	2,011,658
272,650	Wal-Mart Stores, Inc.	15,691,008
		17,702,666
	PHARMACEUTICALS—6.0%	
83,700	American Home Products Corporation	5,135,832
46,200	ICOS Corporation*	2,653,728
110,400	Johnson & Johnson	6,524,640
194,666	King Pharmaceuticals, Inc.*	8,201,279
100,737	Pfizer Inc.	4,014,369
		26,529,848

Shares	COMMON STOCKS (Cont'd)	Value
	RETAIL—1.2%	
159,400	Michaels Stores, Inc.*	$ 5,252,230
	SEMICONDUCTOR EQUIPMENT & PRODUCTS—1.1%	
88,000	Intersil Corporation Cl. A*	2,838,000
55,300	Marvell Technology Group Ltd.*	1,980,846
		4,818,846
	SEMICONDUCTORS—2.1%	
41,300	Maxim Integrated Products, Inc.*	2,168,663
225,400	Micron Technology, Inc.*	6,987,400
		9,156,063
	SOFTWARE—6.6%	
259,900	Intuit Inc.*	11,118,522
212,900	Microsoft Corporation*	14,104,625
89,100	THQ Inc.*	4,318,677
		29,541,824
	SPECIALTY RETAIL—10.3%	
181,800	Abercrombie & Fitch Co., Cl. A*	4,823,154
165,400	Barnes & Noble, Inc.*	4,895,840
80,800	Bed Bath & Beyond Inc.*	2,739,120
108,450	Best Buy Co., Inc.*	8,077,356
57,000	Chico's FAS, Inc.*	2,262,900
135,200	Home Depot, Inc.	6,896,552
239,600	Lowe's Companies, Inc.	11,119,836
139,300	Office Depot, Inc.*	2,582,622
103,050	Toys "R" Us, Inc.*	2,137,257
		45,534,637
	TOYS—.7%	
172,800	Mattel, Inc.	2,972,160
	Total Common Stocks (Cost $385,276,077)	408,433,354

Principal Amount	SHORT-TERM INVESTMENTS—8.1%		Value
	U.S. GOVERNMENT & AGENCY OBLIGATIONS—8.0%		
$35,500,000	Federal National Mortgage Association, 1.43%, 1/2/02 **(Cost $35,498,590)**		$ 35,498,590
	SECURITIES HELD UNDER REPURCHASE AGREEMENTS—.1%		
	Securities Held Under Repurchase Agreements, 1.65%, 1/2/02, with Bear, Stearns & Co. Inc., dtd 12/31/01, repurchase price $276,920; collateralized by $275,000 U.S. Treasury Bonds, 3.625%, due 4/15/28		276,895
	Total Short-Term Investments (Cost $35,775,485)		35,775,485
Total Investments (Cost $421,051,562) (a)		100.2%	444,208,839
Liabilities in Excess of Other Assets		(.2)	(999,819)
Net Assets		100.0%	$443,209,020

* Non-income producing security.

(a) At December 31, 2001, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $421,051,562, amounted to $23,157,277 which consisted of aggregate gross unrealized appreciation of $44,108,279 and aggregate gross unrealized depreciation of $20,951,002.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
FINANCIAL HIGHLIGHTS

For a share outstanding throughout the year

	Year Ended December 31,				
	2001	2000	1999	1998	1997
Net asset value, beginning of year	$ 38.80	$ 57.97	$ 34.90	$ 23.17	$ 19.36
Net investment income (loss)	0.00(i)	(0.02)(i)	(0.09)	(0.05)	(0.03)
Net realized and unrealized gain (loss) on investments	(6.06)	(13.77)	25.93	12.99	3.84
Total from investment operations	(6.06)	(13.79)	25.84	12.94	3.81
Distributions from net realized gains	(1.19)	(5.38)	(2.77)	(1.21)	—
Net asset value, end of year	$ 31.55	$ 38.80	$ 57.97	$ 34.90	$ 23.17
Total Return	(15.93%)	(24.83%)	78.06%	57.83%	19.68%
Ratios and Supplemental Data:					
Net assets, end of year (000's omitted)	$443,209	$476,517	$362,500	$101,710	$53,488
Ratio of expenses to average net assets	0.92%	0.90%	0.92%	0.93%	0.96%
Ratio of net investment income (loss) to average net assets	0.00%	(0.03%)	(0.49%)	(0.27%)	(0.17%)
Portfolio Turnover Rate	103.03%	132.28%	155.74%	143.59%	164.27%

(i) Amount was computed based on average shares outstanding during the year.

See Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2001

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	$444,208,839
Receivable for investment securities sold	5,269,645
Receivable for shares of beneficial interest sold	472,371
Interest and dividends receivable	98,086
Other assets	12,253
Total Assets	450,061,194
Liabilities:	
Payable for investment securities purchased	5,168,513
Payable for shares of beneficial interest redeemed	1,307,272
Accrued investment management fees	314,384
Accrued expenses	62,005
Total Liabilities	6,852,174
Net Assets	$443,209,020
Net Assets Consist of:	
Paid-in capital	$587,961,446
Undistributed net investment income (accumulated loss)	18,855
Undistributed net realized loss	(167,928,558)
Net unrealized appreciation (depreciation)	23,157,277
Net Assets	$443,209,020
Shares of beneficial interest outstanding—Note 6	14,049,051
Net Asset Value Per Share	$ 31.55
*Identified cost	$421,051,562

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF OPERATIONS

For the year ended December 31, 2001

INVESTMENT INCOME	
Income:	
Interest	$ 1,817,609
Dividends	2,215,646
Total Income	4,033,255
Expenses:	
Management fees — Note 3(a)	3,700,084
Custodian fees	114,880
Transfer agent fees	87,061
Professional fees	24,390
Trustees' fees	3,000
Miscellaneous	84,985
Total Expenses	4,014,400
Net Investment Income	18,855
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	
Net realized loss on investments	(141,288,267)
Net change in unrealized appreciation (depreciation) on investments	58,822,151
Net realized and unrealized gain (loss) on investments	(82,466,116)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ (82,447,261)

See Notes to Financial Statements.

The Alger American Fund
Alger American Leveraged AllCap Portfolio
Statement of Changes in Net Assets

For the year ended December 31, 2001

Net investment income	$ 18,855
Net realized loss on investments	(141,288,267)
Net change in unrealized appreciation (depreciation) on investments	58,822,151
Net decrease in net assets resulting from operations	(82,447,261)
Dividends to shareholders:	
Net realized gains	(15,500,392)
Net increase from shares of beneficial interest transactions—Note 6	64,639,587
Total decrease	(33,308,066)
Net Assets	
Beginning of year	476,517,086
End of year	$ 443,209,020
Undistributed net investment income (accumulated loss)	$ 18,855

The Alger American Fund
Alger American Leveraged Allcap Portfolio
Statement of Changes in Net Assets

For the year ended December 31, 2000

Net investment loss	$ (169,009)
Net realized loss on investments	(9,797,650)
Net change in unrealized appreciation (depreciation) on investments	(146,120,530)
Net decrease in net assets resulting from operations	(156,087,189)
Dividends to shareholders:	
Net realized gains	(47,473,710)
Net increase from shares of beneficial interest transactions—Note 6	317,578,240
Total increase	114,017,341
Net Assets	
Beginning of year	362,499,745
End of year	$476,517,086
Undistributed net investment income (accumulated loss)	$ (169,009)

See Notes to Financial Statements.

NOTE 1—General:

The Alger American Fund (the "Fund") is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the American Leveraged AllCap Portfolio (the "Portfolio"). The Portfolio invests primarily in equity securities and has an investment objective of long-term capital appreciation. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

NOTE 2—Significant Accounting Policies:

(a) *Investment Valuation:* Investments of the Portfolio are valued on each day the New York Stock Exchange ("NYSE") is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed and unlisted securities for which such information is regularly reported are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and the asked price, or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Securities for which market quotations are not readily available are valued according to procedures established by the Board of Trustees to determine fair value in good faith.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

(b) *Security Transactions and Investment Income:* Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

(c) *Repurchase Agreements:* The Portfolio enters into repurchase agreements with approved institutions. The repurchase agreements are collateralized by U.S. Government securities, which are either received and held in physical possession by the custodian or received by such custodian in book-entry form through the Federal Reserve book-entry system. The collateral is valued on a daily basis during the term of the agreement to ensure that its value equals or exceeds the agreed-upon repurchase price to be repaid to the Portfolio. Additional collateral is obtained when necessary.

(d) *Lending of Portfolio Securities:* The Portfolio lends its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one-third of the Portfolio's total assets, as defined. The Portfolio earns fees on the securities loaned, which are included in interest income in the accompanying Statement of Operations. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day.

(e) *Dividends to Shareholders:* Dividends and distributions payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio's distributions may be shown in the accompanying financial statements as either from or in excess of net investment income or net realized gain on investment transactions, or from paid-in capital, depending on the type of book/tax differences that may exist.

At December 31, 2001, the Portfolio reclassified $1,388,994 from undistributed net investment loss to either accumulated undistributed net realized gain or paid-in capital. The reclassification had no impact on the net asset value of the Portfolio and is designed to present the Portfolio's capital accounts on a tax basis.

(f) *Federal Income Taxes:* It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of the taxable income, including net realized capital gains, to its shareholders. Therefore, no federal income tax provision is required. The Portfolio is treated as a separate entity for the purpose of determining such compliance. At December 31, 2001, the net capital loss carryforward of the Portfolio, which may be used to offset future net realized gains was approximately $158,854,000 and expires in 2009.

(g) *Expenses:* The Fund accounts separately for the assets, liabilities and operations of each portfolio. Expenses directly attributable to each portfolio are charged to that portfolio's operations; expenses which are applicable to all portfolios are allocated among them.

(h) *Other:* These financial statements have been prepared using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3—Investment Management Fees and Other Transactions with Affiliates:

(a) *Investment Management Fees:* Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the annual rate of .85%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, exceed 1.50% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

(b) *Brokerage Commissions:* During the year ended December 31, 2001, the Portfolio paid Fred Alger & Company, Incorporated ("Alger Inc.") $800,760 in connection with securities transactions.

(c) *Transfer Agency Fees:* The Portfolio has entered into a transfer agency agreement with Alger Shareholder Services, Inc. ("Services"), an affiliate of Alger Management, whereby Services will act as transfer agent for the Portfolio.

(d) Certain trustees and officers of the Portfolio are directors and officers of Alger Management, Alger Inc. and Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, of the Portfolio for the year ended December 31, 2001, were $475,468,934 and $410,441,765, respectively.

NOTE 5—Line of Credit:

The Portfolio has a line of credit with its custodian bank whereby it may borrow up to one-third of the value of its assets, as defined, up to a maximum of $25,000,000. Such borrowings have a variable interest rate and are payable on demand. To the extent the Portfolio borrows under this line, it must pledge securities with a total value of at least twice the amount borrowed. At December 31, 2001, the Portfolio had no such borrowings.

NOTE 6—Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value.

During the year ended December 31, 2001, transactions of shares of beneficial interest for the Portfolio were as follows:

	Shares	Amount
Shares sold	7,085,585	$ 233,714,872
Dividends reinvested	442,363	15,500,392
	7,527,948	249,215,264
Shares redeemed	(5,759,670)	(184,575,677)
Net increase	1,768,278	$ 64,639,587

During the year ended December 31, 2000, transactions of shares of beneficial interest for the Portfolio were as follows:

	Shares	Amount
Shares sold	7,753,872	$ 415,038,364
Dividends reinvested	1,085,858	47,473,710
	8,839,730	462,512,074
Shares redeemed	(2,812,002)	(144,933,834)
Net increase	6,027,728	$ 317,578,240

NOTE 7—Distributions to Shareholders:

The tax character of distributions paid during 2001 and 2000 was as follows:

	2001	2000
Distributions paid from:		
Ordinary Income	$ —	$35,803,752
Long-term capital gain	15,500,392	11,669,958
Total distributions paid	$15,500,392	$47,473,710

As of December 31, 2001 the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ 18,855
Undistributed long-term gain	—
Capital loss carryforward	(158,853,776)
Unrealized appreciation (depreciation)	23,157,277

The difference between book basis and tax-basis undistributed long-term gain is attributable primarily to the tax deferral of losses on wash sales, post October 31 losses and net short-term capital gains taxed as ordinary income.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Trustees of The Alger American Fund:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Alger American Leveraged AllCap Portfolio (one of the portfolios comprising The Alger American Fund, a Massachusetts business trust) as of December 31, 2001, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2001, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Alger American Leveraged AllCap Portfolio of The Alger American Fund as of December 31, 2001, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

New York, New York
January 24, 2002

Trustees and Officers of the Fund

The Fund is governed by a Board of Trustees which is responsible for protecting the interests of shareholders under Massachusetts law. Information about the Trustees and officers of the Fund is set forth below. In the table the term "Alger Fund Complex" refers to the Fund, The Alger Fund, The Alger Retirement Fund, Spectra Fund and Castle Convertible Fund, Inc., each of which is a registered investment company managed by Fred Alger Management, Inc. ("Alger Management"). Each Trustee serves until an event of termination, such as death or resignation, or until his successor is duly elected; each officer's term of office is one year. Unless otherwise noted, the address of each person named below is 30 Montgomery St., Jersey City, NJ 07302.

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
Fred M. Alger III (67) Chairman of the Board	Chairman of the Board and President of Alger Associates, Inc. ("Associates"), Fred Alger & Company, Incorporated ("Alger Inc."), Alger Management, Alger Properties, Inc. ("Properties"), Alger Shareholder Services, Inc. ("Services"), Alger Life Insurance Agency, Inc. ("Agency"), Fred Alger International Advisory S.A. ("International"), and the five funds in the Alger Fund Complex; Chairman of the Boards of Alger SICAV ("SICAV") and Analysts Resources, Inc. ("ARI").	1988	20
Gregory S. Duch (50) Treasurer	Executive Vice President, Treasurer and Director of Alger Management, Properties, Associates, Alger, Inc., ARI, Services and Agency; Treasurer and Director of International; Treasurer of the five funds in the Alger Fund Complex. Chairman of the Board and President of Alger National Trust Company ("Trust").	1989	N/A
Dorothy G. Sanders (46) Secretary	Senior Vice President, General Counsel and Secretary of Alger Inc., General Counsel and Secretary of Associates, Agency, Properties, Services, ARI and Alger Management; Secretary of International, and the five funds in the Alger Fund Complex. Formerly Senior Vice President, Fleet Financial Group.	2000	N/A
Frederick A. Blum (48) Assistant Secretary and Assistant Treasurer	Senior Vice President of Alger Management; Assistant Treasurer and Assistant Secretary of the five funds in the Alger Fund Complex. Senior Vice President and Treasurer of Trust.	1996	N/A
Non-Interested Trustees			
Stephen E. O'Neil (69) Trustee 200 East 66th Street New York, NY 10021	Attorney; Private investor since 1981; Director of NAHC, Inc. and Brown Forman Corporation; Trustee/Director of the five funds in the Alger Fund Complex; formerly of Counsel to the law firm of Kohler & Barnes; formerly President and Vice Chairman of City Investing Company and Director of Centerre Bancorporation and Syntro Corporation.	1988	20
Nathan E. Saint-Amand, M.D. (64) Trustee 2 East 88th Street New York, NY 10128	Medical doctor in private practice; Co-Partner Fishers Island Partners; Member of the Board of the Manhattan Institute; Trustee/Director of the five funds in the Alger Fund Complex. Formerly Co-Chairman Special Projects Committee of Memorial Sloan Kettering.	1988	20

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
B. Joseph White (54) Trustee University of Michigan 701 Tappan Street Ann Arbor, MI 48109	Interim President, University of Michigan; Senior Fellow, William Davidson Institute at the University of Michigan Business School; Professor of Business Administration, University of Michigan Business School; Director, Gordon Food Service and Castle; Trustee and Chair, Audit Committee, Equity Residential Properties Trust; Director and Chair, Compensation Committee, Kelly Services, Inc.; Trustee/Director of the five funds in the Alger Fund Complex.	1999	20

Mr. Alger is an "interested person" (as defined in the Investment Company Act) of the Fund because of his affiliations with Alger Management and Alger Inc., the Fund's principal underwriter. No Trustee is a director of any public company except as may be indicated under "Principal Occupations." No director, officer or employee of Alger Management or its affiliates receives any compensation from the Fund for serving as an officer or Trustee of the Fund. The Fund pays each independent Trustee $1,500 for each meeting he attends, to a maximum of $6,000, plus travel expenses incurred for attending the meeting. The Fund did not offer its Trustees any pension or retirement benefits during or prior to the fiscal year ended December 31, 2001.

The Statement of Additional Information contains additional information about the Fund's Trustees and is available without charge upon request by calling (800) 992-3863.

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CREDIT SUISSE FUNDS

CREDIT SUISSE | ASSET MANAGEMENT

ANNUAL REPORT

December 31, 2001

CREDIT SUISSE TRUST — EMERGING MARKETS PORTFOLIO

Credit Suisse Trust (the "Trust") shares are not available directly to individual investors, but may be offered only through certain insurance products and pension and retirement plans.

More complete information about the Trust, including charges and expenses, is provided in the *Prospectus,* which must precede or accompany this document and which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Trust, P.O. Box 9030, Boston, MA 02205-9030.

Credit Suisse Asset Management Securities, Inc., Distributor, is located at 466 Lexington Ave., New York, NY 10017-3147. The Trust is advised by Credit Suisse Asset Management, LLC.

The Portfolio's investment adviser and co-administrators may waive some fees and/or reimburse some expenses, without which performance would be lower. Waivers and/or reimbursements are subject to change.

Returns include change in share price and reinvestment of dividends and capital gains. ***Past performance cannot guarantee future results.*** *Returns and share price will fluctuate, and redemption value may be more or less than original cost*

The views of the Portfolio's management are as of the date of the letter and the portfolio holdings described in this document are as of December 31, 2001; these views and portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

Portfolio shares are not deposits or other obligations of Credit Suisse Asset Management, LLC ("CSAM") or any affiliate, are not FDIC-insured and are not guaranteed by CSAM or any affiliate.

Credit Suisse Trust — Emerging Markets Portfolio
Annual Investment Adviser's Report
December 31, 2001

January 29, 2002

Dear Shareholder:

For the 12 months ended December 31, 2001, Credit Suisse Trust — Emerging Markets Portfolio[1] (the "Portfolio") had a loss of 9.65%, vs. a loss of 2.38% for the Morgan Stanley Capital International Emerging Markets Free Index.[2]

The period was a poor one for the world's equity markets. A weak global economic backdrop and a related flow of disappointing profit news weighed on stocks across virtually all regions. However, emerging stock markets collectively outperformed their developed market counterparts for the 12 months. This reflected their stronger rallies in the final months of the period, when equities broadly rebounded from mid-September lows. As the global liquidity backdrop improved, and as the war on terrorism proceeded successfully, investors re-entered equity markets and targeted high-growth asset classes especially.

The Portfolio had a loss for the period, hurt by the overall weakness in emerging markets, and it underperformed its benchmark. We attribute much of the underperformance to the relatively defensive approach we took in the fourth quarter. From a sector standpoint, we were underweighted in the technology segment then, reflecting our concerns over the group's potential for heightened near-term volatility. This hampered the Portfolio, given the strong surge in these stocks. And with regard to regional allocation, we had an underweighting in Brazil, as we were—and remain—concerned about the market's vulnerability to financial turmoil in Argentina. Brazilian equities nonetheless finished the year on a strong note.

With regard to the Portfolio's regional and country emphasis, Asia remained our primary area of emphasis. We continued to favor the larger, northern economies of South Korea, Taiwan and China (China in fact was the Portfolio's largest country overweighting as of the end of the period). That said, we became more optimistic about the potential for improved asset flows into certain smaller markets, and hence we established positions in Thailand and Indonesia late in the year.

Within Latin America, Mexico was the Portfolio's largest position over much of the period. We ended the period with a modest overweighting in Mexico, reflecting our optimism regarding the country's overall fundamentals. We were underweighted in Brazil, as noted. If Argentine-contagion fears return to weigh on Brazilian equities, we may view it as an opportunity to add to our position in Brazil. We continued to have no direct exposure to Argentina itself.

Elsewhere of note, we had an overweighting in Russia, in part due to our optimism over ongoing reform efforts. Our Russian holdings included globally oriented energy companies that have gone through significant restructurings. We also held a number of South African equities. We focused here on companies that could continue to benefit from weakness in the country's currency, such as certain price-sensitive and export-driven natural resource companies. We were notably underweighted in Israel, based on stock-specific factors and on our concerns over political risk.

What are the prospects for emerging markets going forward? We believe that the group's fate will remain tied to three inter-related factors: global economic recovery, liquidity conditions and risk appetite. In our view, while liquidity and risk appetite should remain supportive, we are concerned that markets could be vulnerable to bad news in terms of global growth and corporate earnings over the near term.

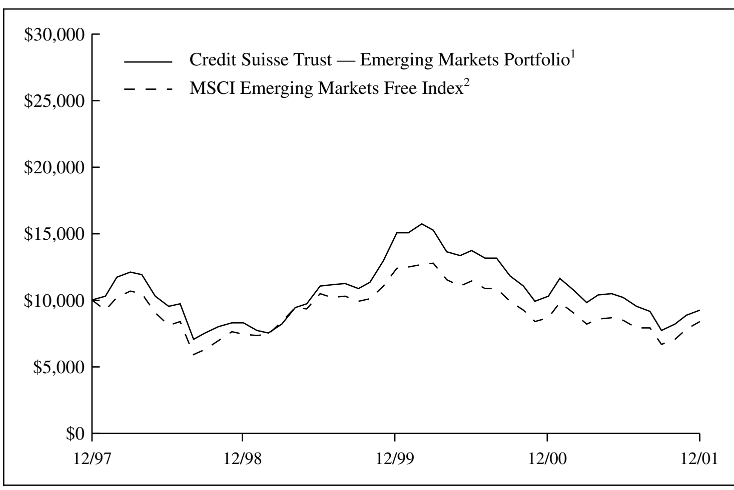
Given the market's strong recent rise, we do not intend to shift away from the generally defensive stance we had over the latter part of 2001. We plan to remain biased towards countries and sectors that we deem to be less leveraged to global growth, or are otherwise more defensive in character. We have concerns regarding technology shares in particular, which in our view are discounting very high rates of earnings growth with little room for disappointment.

Nevertheless, we see grounds for optimism looking out over 2002. Growth is likely to rebound, albeit with some fits and starts over the year; monetary conditions should remain supportive, and country-specific political risks appear to us, for now, manageable. And within the emerging world, we believe that valuations-stretched in some instances-remain attractive within a global context. Earnings and growth expectations for many non-technology segments of the emerging world have been scaled back, leaving some room for positive surprise. As a result, we would look to any weakness in markets globally to add to selected markets.

Richard Watt	Emily Alejos	Neil Gregson
Portfolio Manager	Associate Portfolio Manager	Associate Portfolio Manager

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging-market investments. The Portfolio may involve a greater degree of risk than other mutual funds that invest in larger, more developed markets.

Comparison of Change in Value of $10,000 Investment in the Credit Suisse Trust — Emerging Markets Portfolio and the MSCI Emerging Markets Free Index from Inception (12/31/97) and at each Month End. (Unaudited)



Average Annual Total Returns for the periods ended 12/31/01
1 Year (9.65%)
3 Years 3.91%
From Inception (12/31/97) (1.86%)

Note: Past performance is not predictive of future performance. Investment return and principal value of an investment will fluctuate so that an investor's shares upon redemption may be worth more or less than their original cost.

[1] Name changed from Warburg Pincus Trust — Emerging Markets Portfolio effective December 12, 2001.

[2] The Morgan Stanley Capital International Emerging Markets Free Index is a market-capitalization weighted index of emerging-market countries determined by Morgan Stanley. The index includes only those countries open to non-local investors. Investors cannot invest directly in an index.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments
December 31, 2001

	Number of Shares	Value
COMMON STOCKS (94.7%)		
Australia (0.0%)		
Oil & Gas (0.0%)		
Novus Petroleum, Ltd.[1]	144	$ 132
TOTAL AUSTRALIA		132
Brazil (2.3%)		
Beverages (0.6%)		
Companhia de Bebidas das Americas ADR	10,800	219,132
Electric Utilities (0.5%)		
Companhia Paranaense de Energia-Copel ADR	25,500	200,175
Metals & Mining (1.2%)		
Companhia Vale do Rio Doce ADR	19,600	462,756
TOTAL BRAZIL		882,063
Chile (3.8%)		
Beverages (0.4%)		
Compania Cervecerias Uni ADR	7,700	137,060
Diversified Telecommunications Services (1.5%)		
Companhia de Telecomunicaciones de Chile SA ADR[1]	42,500	572,050
Electric Utilities (1.3%)		
Empresa Nacional de Electricidad SA ADR	30,400	315,552
Enersis SA ADR	13,300	176,890
		492,442
Food & Drug Retailing (0.6%)		
Distribucion y Servicio D & S SA ADR	17,500	229,250
TOTAL CHILE		1,430,802
China (6.2%)		
Airlines (1.1%)		
China Southern Airlines Co., Ltd.[1]	1,462,000	421,847
Electric Utilities (3.1%)		
Beijing Datang Power Generation Co., Ltd.	2,168,301	695,160
Huaneng Power International, Inc.	565,000	340,543
Huaneng Power International, Inc. ADR[1]	6,100	147,010
		1,182,713
Marine (0.4%)		
China Shipping Development Co., Ltd.	1,004,000	159,654
Oil & Gas (1.1%)		
China Petroleum and Chemical Corp.	1,330,000	182,499
PetroChina Co., Ltd.	1,342,000	237,496
		419,995
Road & Rail (0.5%)		
Guangshen Railway Co., Ltd.	1,100,078	180,575
TOTAL CHINA		2,364,784

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS (continued)		
Hong Kong (5.9%)		
Computers & Peripherals (0.2%)		
Legend Holdings, Ltd.	168,000	$ 85,639
Oil & Gas (1.2%)		
CNOOC, Ltd.	466,500	439,708
Real Estate (0.6%)		
China Resources Beijing Land, Ltd.	148,000	29,039
Shum Yip Investment, Ltd.	694,000	206,922
		235,961
Wireless Telecommunications Services (3.9%)		
China Mobile, Ltd.[1]	359,500	1,265,512
China Unicom, Ltd.[1]	200,000	220,574
		1,486,086
TOTAL HONG KONG		2,247,394
Hungary (0.5%)		
Banks (0.3%)		
OTP Bank	1,685	101,175
Diversified Telecommunications Services (0.2%)		
Matav Rt ADR	5,200	88,348
TOTAL HUNGARY		189,523
India (4.0%)		
Banks (0.3%)		
State Bank of India, Ltd. GDR	14,800	122,988
Chemicals (0.6%)		
Reliance Industries, Ltd. GDR	15,500	210,800
Diversified Financials (0.1%)		
HDFC Bank, Ltd.[1]	2,200	32,010
Diversified Telecommunications Services (0.4%)		
Mahanagar Telephone Nigam, Ltd. ADR[1]	26,400	158,664
Food & Drug Retailing (0.2%)		
Dr. Reddy's Laboratories, Ltd. ADR[1]	4,600	87,170
Household Products (0.1%)		
Hindustan Lever, Ltd.	4,009	18,594
Industrial Conglomerates (0.6%)		
Larsen & Toubro, Ltd. GDR	30,200	226,500
IT Consulting & Services (0.3%)		
Infosys Technologies, Ltd. ADR[1]	1,600	99,200
Metals & Mining (0.2%)		
Hindalco Industries, Ltd. GDR	7,200	91,800

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS (continued)		
India (continued)		
Pharmaceuticals (0.4%)		
Ranbaxy Laboratories, Ltd. GDR	10,700	$ 167,990
Tobacco (0.8%)		
ITC, Ltd. GDR	20,000	310,000
TOTAL INDIA		1,525,716
Indonesia (1.0%)		
Diversified Telecommunications Services (1.0%)		
PT Telekomunikasi Indonesia	1,306,000	401,846
TOTAL INDONESIA		401,846
Israel (2.1%)		
Diversified Telecommunications Services (1.1%)		
Bezeq Israeli Telecommunication Corp., Ltd.[1]	325,586	439,817
Pharmaceuticals (1.0%)		
Teva Pharmaceutical Industries, Ltd. ADR	6,100	375,943
TOTAL ISRAEL		815,760
Malaysia (3.3%)		
Banks (1.2%)		
Malayan Banking Berhad	147,300	321,730
Public Bank Berhad	214,612	150,791
		472,521
Diversified Telecommunications Services (0.5%)		
Telekom Malaysia Berhad	68,000	184,313
Electric Utilities (0.3%)		
Tenaga Nasional Berhad	43,533	122,578
Hotels Restaurants & Leisure (0.3%)		
Genting Berhad	44,822	123,849
Industrial Conglomerates (0.5%)		
Sime Darby Berhad	131,176	169,146
Tobacco (0.5%)		
British American Tobacco Berhad	18,823	183,274
TOTAL MALAYSIA		1,255,681
Mexico (12.2%)		
Banks (1.4%)		
Grupo Financiero BBVA Bancomer SA de CV Class O	581,800	529,859
Beverages (1.8%)		
Fomento Economico Mexicano SA de CV ADR	5,500	190,025
Grupo Modelo SA de CV Series C[1]	227,035	507,877
		697,902

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
December 31, 2001

	Number of Shares	Value
COMMON STOCKS (continued)		
Mexico (continued)		
Construction Materials (1.4%)		
Cemex SA de CV ADR	22,051	$ 544,660
Diversified Telecommunications Services (3.2%)		
Telefonos de Mexico SA de CV ADR	35,458	1,241,739
Multiline Retail (1.4%)		
Wal-Mart de Mexico SA de CV ADR[1]	20,200	550,797
Paper & Forest Products (0.5%)		
Kimberly-Clark de Mexico SA de CV ADR	13,215	193,716
Wireless Telecommunications Services (2.5%)		
America Movil SA de CV ADR[1]	48,058	936,170
TOTAL MEXICO		4,694,843
Poland (1.0%)		
Banks (0.2%)		
Bank Polska Kasa Opieki SA[1]	4,687	94,756
Diversified Telecommunications Services (0.8%)		
Telekomunikacja Polska	84,625	299,772
TOTAL POLAND		394,528
Russia (5.4%)		
Communications Equipment (0.7%)		
Mobile Telesystems ADR[1]	7,300	260,318
Electric Utilities (1.2%)		
Unified Energy Systems ADR	29,666	466,646
Oil & Gas (3.5%)		
Lukoil Holding ADR	12,100	592,823
Surgutneftegaz ADR	37,700	589,628
Yukos ADR[1]	1,900	148,952
		1,331,403
TOTAL RUSSIA		2,058,367
South Africa (8.9%)		
Banks (1.5%)		
Standard Bank Investment Corp., Ltd.	219,089	569,870
Beverages (0.8%)		
South African Breweries PLC	46,342	305,213
Diversified Financials (0.3%)		
Johnnic Holdings, Ltd.	31,787	117,661
Industrial Conglomerates (0.7%)		
Bidvest Group, Ltd.	69,526	256,195

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS (continued)		
South Africa (continued)		
Insurance (1.2%)		
Liberty Group, Ltd.	48,630	$ 223,792
Sanlam, Ltd.	337,857	258,850
		482,642
Metals & Mining (2.2%)		
Anglo American Platinum Corp., Ltd.	13,200	491,686
Gold Fields, Ltd.	74,178	355,585
		847,271
Oil & Gas (0.8%)		
Sasol, Ltd.	34,743	305,287
Paper & Forest Products (0.9%)		
Sappi, Ltd.	36,406	364,212
Specialty Retail (0.5%)		
Imperial Holdings, Ltd.	37,495	176,300
TOTAL SOUTH AFRICA		3,424,651
South Korea (16.0%)		
Banks (3.9%)		
Kookmin Bank	30,785	1,167,182
Shinhan Financial Group Co., Ltd.[1]	26,048	348,034
		1,515,216
Diversified Financials (0.4%)		
Samsung Securities Co., Ltd.	4,744	172,821
Diversified Telecommunications Services (0.5%)		
Korea Telecom Corp. ADR	9,915	201,572
Electric Utilities (1.4%)		
Korea Electric Power Corp.	31,583	521,775
Metals & Mining (0.9%)		
Pohang Iron & Steel Co., Ltd.	3,507	325,736
Multiline Retail (1.2%)		
Shinsegae Department Store Co.	4,180	442,345
Semiconductor Equipment & Products (4.1%)		
Samsung Electronics Co.	7,445	1,581,389
Wireless Telecommunications Services (3.6%)		
SK Telecom Co., Ltd.	6,442	1,314,394
SK Telecom Co., Ltd. ADR[1]	3,200	69,184
		1,383,578
TOTAL SOUTH KOREA		6,144,432

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
December 31, 2001

	Number of Shares	Value
COMMON STOCKS (continued)		
Taiwan (15.1%)		
Banks (3.0%)		
Bank Sinopac[1]	484,660	$ 202,230
China Development Financial Holding Corp.[1]	307,901	206,792
Chinatrust Commercial Bank[1]	1,207,923	724,960
		1,133,982
Chemicals (0.6%)		
Formosa Plastics Corp.	245,000	224,764
Computers & Peripherals (2.4%)		
Asustek Computer, Inc.	75,250	329,044
Quanta Computer, Inc.	179,750	585,638
		914,682
Electronic Equipment & Instruments (0.6%)		
Hon Hai Precision Industry Co., Ltd.	53,720	245,647
Insurance (0.9%)		
Cathay Life Insurance Co., Ltd.[1]	222,348	362,213
Metals & Mining (0.3%)		
China Steel Corp.	288,400	112,508
Semiconductor Equipment & Products (7.3%)		
Advanced Semiconductor Engineering, Inc.[1]	476,190	442,302
Taiwan Semiconductor Manufacturing Co.[1]	205,208	513,166
United Microelectronics Corp.	1,264,442	1,842,998
		2,798,466
TOTAL TAIWAN		5,792,262
Thailand (2.3%)		
Banks (1.8%)		
Bangkok Bank Public Co., Ltd.[1]	615,805	685,697
Wireless Telecommunications Services (0.5%)		
Advanced Info Service Public Co., Ltd.	211,000	194,398
TOTAL THAILAND		880,095
Turkey (1.1%)		
Diversified Financials (1.1%)		
Haci Omer Sabanci Holding AS	38,946	211,459
Turkiye Is Bankasi Class C	39,999	222,675
TOTAL TURKEY		434,134
United Kingdom (3.6%)		
Metals & Mining (3.6%)		
Anglo American PLC	84,658	1,292,986
Anglo American PLC ADR	5,453	82,395
TOTAL UNITED KINGDOM		1,375,381

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (concluded)
December 31, 2001

	Number of Shares	Value
COMMON STOCKS (continued)		
United States (0.0%)		
Banks (0.0%)		
Citigroup, Inc.	1	$ 50
TOTAL UNITED STATES		50
TOTAL COMMON STOCKS (Cost $34,485,109)		36,312,444
PREFERRED STOCKS (2.5%)		
Brazil (2.5%)		
Banks (0.5%)		
Banco Itau SA	2,452,854	186,834
Diversified Telecommunications Services (0.6%)		
Tele Norte Leste Participacoes SA ADR	15,200	237,576
Oil & Gas (1.4%)		
Petroleo Brasileiro SA ADR	23,398	520,138
TOTAL BRAZIL		944,548
TOTAL PREFERRED STOCKS (Cost $896,361)		944,548
RIGHT (0.0%)		
Thailand (0.0%)		
Diversified Telecommunications Services (0.0%)		
Telecomasia Corp. Public Co., Ltd. (Cost $0)[1]	50,021	0
	Par (000)	
SHORT-TERM INVESTMENT (8.7%)		
State Street Bank & Trust Co. Euro Time Deposit, 1.50%, 1/02/02 (Cost $3,334,000)	$ 3,334	3,334,000
TOTAL INVESTMENTS AT VALUE (105.9%) (Cost $38,715,470[2])		40,590,992
LIABILITIES IN EXCESS OF OTHER ASSETS (–5.9%)		(2,259,927)
NET ASSETS (100.0%)		$ 38,331,065

INVESTMENT ABBREVIATIONS
ADR = American Depository Receipt
GDR = Global Depository Receipt

[1] Non-income producing security.
[2] Cost for federal income tax purposes is $40,444,137.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statement of Assets and Liabilities
December 31, 2001

Assets	
Investments at value (Cost $38,715,470)	$ 40,590,992
Cash	86
Foreign currency (Cost $402,579)	396,464
Receivable for fund shares sold	228,030
Receivable for investments sold	42,124
Dividend, interest and reclaim receivable	26,332
Receivable from investment adviser	17,436
Prepaid expenses and other assets	3,232
Total Assets	41,304,696
Liabilities	
Administrative services fee payable	7,683
Payable for fund shares redeemed	2,937,332
Payable for foreign taxes	2,936
Other accrued expenses payable	25,680
Total Liabilities	2,973,631
Net Assets	
Capital stock, $0.001 par value	4,546
Paid-in capital	51,607,355
Undistributed net investment income	47,720
Accumulated net realized loss from investments and foreign currency transactions	(15,197,693)
Net unrealized appreciation from investments and foreign currency translations	1,869,137
Net Assets	$ 38,331,065
Shares outstanding	4,546,193
Net asset value, offering price and redemption price per share	$8.43

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statement of Operations
For the Year Ended December 31, 2001

Investment Income	
Dividends	$ 739,072
Interest	111,016
Foreign taxes withheld	(108,600)
Total investment income	741,488
Expenses	
Investment advisory fees	456,493
Administrative services fees	76,066
Printing fees	65,253
Custodian fees	43,824
Legal fees	15,752
Audit fees	14,065
Transfer agent fees	4,387
Insurance expense	3,679
Trustees fees	2,993
Interest expense	1,462
Miscellaneous expense	7,253
Total expenses	691,227
Less: fees waived and transfer agent offsets	(179,955)
Net expenses	511,272
Net investment income	230,216
Net Realized and Unrealized Loss from Investments and Foreign Currency Related Items	
Net realized loss from investments	(8,921,413)
Net realized loss from foreign currency transactions	(136,978)
Net change in unrealized appreciation (depreciation) from investments	5,890,725
Net change in unrealized appreciation (depreciation) from foreign currency translations	(6,690)
Net realized and unrealized loss from investments and foreign currency related items	(3,174,356)
Net decrease in net assets resulting from operations	$(2,944,140)

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statements of Changes in Net Assets

	For the Year Ended December 31, 2001	For the Year Ended December 31, 2000
From Operations		
Net investment income	$ 230,216	$ 770,349
Net realized loss from investments and foreign currency transactions	(9,058,391)	(6,445,252)
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	5,884,035	(7,607,248)
Net decrease in net assets resulting from operations	(2,944,140)	(13,282,151)
From Dividends and Distributions		
Dividends from net investment income	—	(674,002)
Distributions from net realized gains	—	(529,318)
Return of capital	—	(99,364)
Net decrease in net assets from dividends and distributions	—	(1,302,684)
From Capital Share Transactions		
Proceeds from sale of shares	158,745,561	68,349,353
Reinvestment of dividends and distributions	—	1,289,532
Net asset value of shares redeemed	(150,074,287)	(39,230,888)
Net increase in net assets from capital share transactions	8,671,274	30,407,997
Net increase in net assets	5,727,134	15,823,162
Net Assets		
Beginning of year	32,603,931	16,780,769
End of year	$ 38,331,065	$ 32,603,931
Undistributed Net Investment Income (Loss)	$ 47,720	$ (45,517)

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Financial Highlights
(For a Share of the Portfolio Outstanding Throughout Each Period)

	For the Year Ended December 31,			
	2001	2000	1999	1998
Per share data				
Net asset value, beginning of period	$ 9.33	$ 14.18	$ 8.19	$10.00
INVESTMENT OPERATIONS				
Net investment income	0.06	0.23	0.05[1]	0.10
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	(0.96)	(4.70)	6.56	(1.83)
Total from investment operations	(0.90)	(4.47)	6.61	(1.73)
LESS DIVIDENDS AND DISTRIBUTIONS				
Dividends from net investment income	—	(0.20)	(0.04)	(0.08)
Distributions from net realized gains	—	(0.15)	(0.58)	—
Return of capital	—	(0.03)	—	—
Total dividends and distributions	—	(0.38)	(0.62)	(0.08)
Net asset value, end of period	$ 8.43	$ 9.33	$ 14.18	$ 8.19
Total return	(9.65)%	(31.55)%	81.40%	(17.30)%
RATIOS AND SUPPLEMENTAL DATA				
Net assets, end of period (000s omitted)	$38,331	$32,604	$16,781	$2,696
Ratio of expenses to average net assets[2]	1.40%	1.42%	1.42%	1.40%
Ratio of net investment income (loss) to average net assets	0.63%	2.45%	(0.19)%	2.09%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.49%	0.27%	1.73%	6.81%
Portfolio turnover rate	130%	208%	145%	21%

[1] Per share information is calculated using the average shares outstanding method.

[2] Interest earned on uninvested cash balances is used to offset portions of the transfer agent expense. These arrangements resulted in a reduction to the Portfolio's net expense ratio by .00%, .02%, .02% and .00% for each of the years ended December 31, 2001, 2000, 1999 and 1998, respectively. The Portfolio's operating expense ratio after reflecting these arrangements was 1.40% for each of the years ended December 31, 2001, 2000, 1999 and 1998, respectively.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Notes to Financial Statements
December 31, 2001

Note 1. Summary of Significant Accounting Policies

Credit Suisse Trust, formerly Warburg Pincus Trust (the "Trust"), a Massachusetts business trust, is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers nine managed investment portfolios of which one, the Emerging Markets Portfolio (the "Portfolio"), is included in this report. The Portfolio is a non-diversified investment fund that seeks long-term growth of capital. Shares of the Portfolio are not available directly to individual investors but may be offered only through (a) variable annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. The Portfolio may not be available in connection with a particular contract or plan.

A) SECURITY VALUATION — The net asset value of the Portfolio is determined daily as of the close of regular trading on the New York Stock Exchange, Inc. The Portfolio's investments are valued at market value, which is generally determined using the last reported sales price. If no sales are reported, investments are generally valued at the last reported bid price, and if there is no bid price available, at the most recent ask price. Debt securities are valued on the basis of broker quotations or valuations provided by a pricing service which may use a matrix, formula or other objective method that takes into consideration market indices, matrices, yield curves and other specific adjustments. If market quotations are not readily available, securities and other assets are valued by another method that the Board of Trustees believes accurately reflects fair value. Debt obligations that will mature in 60 days or less are valued on the basis of amortized cost, which approximates market value, unless the Board determines that using this method would not reflect an investment's value.

B) FOREIGN CURRENCY TRANSACTIONS — The books and records of the Portfolio are maintained in U.S. dollars. Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the current exchange rate at the end of the period. Translation gains or losses resulting from changes in the exchange rate during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Portfolio does not isolate that portion of realized gains and losses on investments in equity securities which is due to changes in the foreign exchange rate from that which is due to changes in market

Note 1. Summary of Significant Accounting Policies — (continued)

prices of equity securities. The Portfolio isolates that portion of realized gains and losses on investments in debt securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of debt securities.

C) SECURITY TRANSACTIONS AND INVESTMENT INCOME — Security transactions are accounted for on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes.

D) DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — Dividends from net investment income and distributions of net realized capital gains, if any, are declared and paid at least annually. However, to the extent that a net realized capital gain can be reduced by a capital loss carryover, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations which may differ from accounting principles generally accepted in the United States of America ("GAAP").

E) FEDERAL INCOME TAXES — No provision is made for federal taxes as it is the Trust's intention to have the Portfolio continue to qualify for and elect the tax treatment applicable to regulated investment companies under the Internal Revenue Code of 1986, as amended, and make the requisite distributions to its shareholders which will be sufficient to relieve it from federal income and excise taxes.

F) USE OF ESTIMATES — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

G) SHORT-TERM INVESTMENTS — The Portfolio, together with other funds/portfolios advised by Credit Suisse Asset Management, LLC ("CSAM"), an indirect, wholly-owned subsidiary of Credit Suisse Group, pool available cash into a short-term time deposit issued by State Street Bank & Trust, the Portfolio's custodian. The short-term time deposit is a variable rate account classified as a short-term investment.

Note 1. Summary of Significant Accounting Policies — (continued)

H) FORWARD FOREIGN CURRENCY CONTRACTS — The Portfolio may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. The Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At December 31, 2001, the Portfolio had no open forward foreign currency contracts.

I) OTHER — The Portfolio may invest in securities of foreign countries and governments which involve certain risks in addition to those inherent in domestic investments. Such risks generally include, among others, currency risk (fluctuations in currency exchange rates), information risk (key information may be inaccurate or unavailable) and political risk (expropriation of assets, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity, market, operational and valuation risks.

The Portfolio's investments in securities of issuers located in less developed countries considered to be "emerging markets" involve risks in addition to those generally applicable to foreign securities. Focusing on emerging (less developed) markets involves higher levels of risk, including increased currency, information, liquidity, market, political and valuation risks. Deficiencies in regulatory oversight, market infrastructure, shareholder protections and company laws could expose the Portfolio to operational and other risks as well. Some countries may have restrictions that could limit the Portfolio's access to attractive opportunities. Additionally, emerging markets often face serious economic problems (such as high external debt, inflation and unemployment) that could subject the Portfolios to increased volatility or substantial declines in value.

The Portfolio may be subject to taxes imposed by countries in which it invests, with respect to its investments in issuers existing or operating in such countries. Such taxes are generally based on income earned or repatriated and capital gains realized on the sale of such investments. The Portfolio accrues such taxes when the related income or capital gains are earned.

Note 2. Transactions with Affiliated and Related Parties

CSAM serves as investment adviser for the Portfolio and Credit Suisse Asset Management Limited ("CSAM Ltd."), an affiliate of CSAM, serves as sub-investment adviser to the Portfolio. For its investment advisory services, CSAM is entitled to receive a fee from the Portfolio at an annual rate of 1.25% of the Portfolio's average daily net assets, out of which CSAM pays CSAM Ltd. for sub-investment advisory services. For the year ended December 31, 2001, investment advisory fees earned and voluntarily waived were $456,493 and $179,056, respectively.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of CSAM, and PFPC Inc. ("PFPC"), an indirect, wholly-owned subsidiary of PNC Financial Services Group, serve as co-administrators to the Portfolio. For its administrative services, CSAMSI currently receives a fee calculated at an annual rate of .10% of the Portfolio's average daily net assets. For the year ended December 31, 2001, administrative services fees earned by CSAMSI were $36,519.

For its administrative services through February 4, 2001, PFPC was entitled to receive a fee, exclusive of out-of-pocket expenses, based on the following fee structure:

Average Daily Net Assets	Annual Rate
First $500 million	.11% of average daily net assets
Next $1 billion	.09% of average daily net assets
Over $1.5 billion	.07% of average daily net assets

Effective February 5, 2001, for its administrative services, PFPC is entitled to receive a fee, exclusive of out-of-pocket expenses, based on the following fee structure:

Average Daily Net Assets	Annual Rate
First $500 million	.08% of average daily net assets
Next $1 billion	.07% of average daily net assets
Over $1.5 billion	.06% of average daily net assets

For the year ended December 31, 2001, administrative service fees earned by PFPC (including out of pocket expenses) were $39,547.

In addition to serving as the Portfolio's co-administrator, CSAMSI currently serves as distributor of the Portfolio's shares without compensation.

Boston Financial Data Services, Inc. ("BFDS") serves as the Portfolio's transfer and dividend disbursement agent. The Portfolio has an arrangement with BFDS whereby interest earned on uninvested cash balances is used to

Note 2. Transactions with Affiliates and Related Parties — (continued)

offset a portion of its transfer agent expense. For the year ended December 31, 2001, the Portfolio received credits or reimbursements of $899 under this arrangement.

Merrill Corporation ("Merrill"), an affiliate of CSAM, has been engaged by the Portfolio to provide certain financial printing services. For the year ended December 31, 2001, Merrill was paid $21,392 for its services by the Portfolio.

Note 3. Line of Credit

Through June 19, 2001, the Portfolio, together with other funds/portfolios advised by CSAM (collectively, the "Participating Funds"), participated in a $350 million committed, unsecured, line of credit facility (the "Prior Credit Facility") with Deutsche Bank, A.G. as administrative agent, State Street Bank and Trust Company as operations agent, Bank of Nova Scotia as syndication agent and certain other lenders, for temporary or emergency purposes primarily relating to unanticipated Participating Funds' share redemptions. Under the terms of the Prior Credit Facility, the Participating Funds paid an aggregate commitment fee at a rate of .075% per annum on the entire amount of the Prior Credit Facility, which was allocated among the Participating Funds in such manner as was determined by the governing Boards of the Participating Funds. In addition, the Participating Funds paid interest on borrowings at the Federal funds rate plus .50%.

Effective June 20, 2001, the Participating Funds, together with additional funds/portfolios advised by CSAM (collectively with the Participating Funds, the "New Participating Funds"), established a new $200 million committed, unsecured, line of credit facility (the "New Credit Facility") with Deutsche Bank, A.G. as administrative agent, State Street Bank and Trust Company as operations agent, BNP Paribas as syndication agent and certain other lenders, for the same purposes as the Prior Credit Facility. Under the terms of the New Credit Facility, the New Participating Funds pay an aggregate commitment fee at a rate of .10% per annum on the average unused amount of the New Credit Facility, which is allocated among the New Participating Funds in such manner as is determined by the governing Boards of the New Participating Funds. The interest rate paid under the New Credit Facility is unchanged from the rate paid under the Prior Credit Facility. At December 31, 2001 there were no loans outstanding under either the New Credit Facility or the Prior Credit Facility.

Note 3. Line of Credit — (continued)

During the year ended December 31, 2001, borrowings under the Prior Credit Facility and/or the New Credit Facility were as follows:

Average Daily Loan Balance	Weighted Average Interest Rate	Maximum Daily Loan Outstanding
$33,814	2.744%	$2,312,000

Note 4. Purchases and Sales of Securities

For the year ended December 31, 2001, purchases and sales of investment securities (excluding short-term investments) were $53,428,267 and $43,314,812, respectively.

Note 5. Capital Share Transactions

The Portfolio is authorized to issue an unlimited number of full and fractional shares of beneficial interest, par value of $.001 per share. Transactions in shares of the Portfolio were as follows:

	For the Year Ended December 31, 2001	For the Year Ended December 31, 2000
Shares sold	18,757,687	5,434,774
Shares issued in reinvestment of dividends and distributions	—	138,213
Shares redeemed	(17,704,414)	(3,263,410)
Net increase	1,053,273	2,309,577

Note 6. Federal Income Taxes

Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments of foreign currency transactions, losses deferred due to wash sales and Post-October losses, and excise tax regulations.

There were no distributions in the year ended December 31, 2001.

Note 6. Federal Income Taxes — (continued)

At December 31, 2001, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ 92,753
Capital loss carryovers	(12,766,191)
Unrealized appreciation	140,470
	$(12,532,968)

At December 31, 2001, the Portfolio had capital loss carryovers available to offset possible future capital gains of $3,547,931 and $9,218,260 expiring in 2008 and 2009, respectively.

Pursuant to federal income tax regulations applicable to investment companies, the Portfolio has elected to treat net capital losses realized between November 1 and December 31, 2001 as occurring on the first day of the following tax year. For the year ended December 31, 2001, $747,868 of realized capital losses reflected in the accompanying financial statements will not be recognized for federal income tax purposes until 2002.

At December 31, 2001, the net unrealized appreciation from investments for those securities having an excess of value over cost and net unrealized depreciation from investments for those securities having an excess of cost over value (based on cost for federal income tax purposes) was $3,412,364 and $3,271,894, respectively. The difference between book basis and tax-basis unrealized appreciation is attributable primarily to the tax deferral of losses on wash sales and the realization for tax purposes of unrealized gains on certain forward foreign currency contracts and on investments in passive foreign investment companies.

At December 31, 2001, accumulated undistributed net investment income and accumulated net realized gain (loss) from investments and foreign currency transactions have been adjusted for current period permanent book/tax differences which arose principally from differing book/tax treatments of foreign currency transactions. The Portfolio reclassified $(136,979) from accumulated net realized gain (loss) from investments and foreign currency transactions to accumulated undistributed net investment income. Net investment income, net realized gain (loss) on investments and net assets were not affected by these reclassifications.

Credit Suisse Trust — Emerging Markets Portfolio
Report of Independent Accountants

To the Board of Trustees and Shareholders of
Emerging Markets Portfolio:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects the financial position of the Emerging Markets Portfolio (the "Fund"), a portfolio of the Credit Suisse Trust at December 31, 2001, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the years (or periods) presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2001 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 5, 2002

Credit Suisse Trust — Emerging Markets Portfolio
Information Concerning Trustees and Officers (Unaudited)

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees					
Richard H. Francis 40 Grosvenor Road Short Hills, New Jersey 07078 Age: 68	Trustee and Audit Committee Member	Since 2000	Currently retired; Executive Vice President and Chief Financial Officer of Pan Am Corporation and Pan American World Airways, Inc. from 1988 to 1991	59	Director of The Indonesia Fund, Inc.
Jack W. Fritz 2425 North Fish Creek Road P.O. Box 1287 Wilson, Wyoming 83014 Age: 73	Trustee and Audit Committee Member	Since Portfolio Inception	Private investor; Consultant and Director of Fritz Broadcasting, Inc. and Fritz Communications (developers and operators of radio stations) since 1987	59	Director of Advo, Inc. (direct mail advertising)
Jeffrey E. Garten Box 208200 New Haven, Connecticut 06520-8200 Age: 54	Trustee and Audit Committee Member	Since 1998	Dean of Yale School of Management and William S. Beinecke Professor in the Practice of International Trade and Finance; Undersecretary of Commerce for International Trade from November 1993 to October 1995; Professor at Columbia University from September 1992 to November 1993	59	Director of Aetna, Inc.; Director of Calpine Energy Corporation

[1] Each Trustee and Officer serves until his or her respective successor has been duly elected and qualified.

Credit Suisse Trust — Emerging Markets Portfolio
Information Concerning Trustees and Officers (Unaudited) (continued)

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees—(continued)					
Peter F. Krogh 301 ICC Georgetown University Washington, DC 20057 Age: 64	Trustee and Audit Committee Member	Since 2001	Dean Emeritus and Distinguished Professor of International Affairs at the Edmund A. Walsh School of Foreign Service, Georgetown University; Moderator of PBS foreign affairs television series	59	Member of Board of The Carlisle Companies Inc.; Member of Selection Committee for Truman Scholars and Henry Luce Scholars; Senior Associate of Center for Strategic and International Studies; Trustee of numerous world affairs organizations
James S. Pasman, Jr. 29 The Trillium Pittsburgh, Pennsylvania 15238 Age: 70	Trustee and Audit Committee Member	Since 2000	Currently retired; President and Chief Operating Officer of National InterGroup, Inc. from April 1989 to March 1991; Chairman of Permian Oil Co. from April 1989 to March 1991	59	Director of Education Management Corp., Tyco International Ltd.; Credit Suisse Asset Management Income Fund, Inc.; Trustee of Credit Suisse High Yield Bond Fund; Deutsche VIT Funds, overseeing six portfolios

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees—(continued)					
Steven N. Rappaport Loanet, Inc. 40 East 52nd Street New York, New York 10022 Age: 52	Trustee and Audit Committee Chairman	Since 2000	President of Loanet, Inc. (on-line accounting service) since 1997; Executive Vice President of Loanet, Inc. from 1994 to 1997; Director, President, North American Operations, and former Executive Vice President from 1992 to 1993 of Worldwide Operations of Metallurg Inc.; Executive Vice President, Telerate, Inc. from 1987 to 1992; Partner in the law firm of Hartman & Craven until 1987	59	Director of The First Israel Fund, Inc.
Interested Trustee					
William W. Priest[2] Steinberg Priest Capital Management 12 East 49th Street 12th Floor New York, New York 10017 Age: 59	Trustee	Since 1999	Senior Partner and Fund Manager, Steinberg Priest Capital Management since March 2001; Chairman and Managing Director of CSAM from 2000 to February 2001, Chief Executive Officer and Managing Director of CSAM from 1990 to 2000	59	Director of The Brazilian Equity Fund, Inc.; The Chile Fund, Inc.; The Emerging Markets Telecommunications Fund, Inc.; The First Israel Fund, Inc.; The Latin American Equity Fund, Inc.; The Indonesia Fund, Inc.; and Credit Suisse Asset Management Income Fund, Inc.

[2] Mr. Priest is a Trustee who is an “interested person” of the Trust as defined in the 1940 Act, because he was an officer of CSAM until February 2001.

Credit Suisse Trust — Emerging Markets Portfolio
Information Concerning Trustees and Officers (Unaudited) (continued)

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Officer	Other Directorships Held by Officer
Officers					
James P. McCaughan Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 47	Chairman	Since 2000	Chief Executive Officer and Managing Director of CSAM; Associated with CSAM since 2000; President and Chief Operating Officer of Oppenheimer Capital from 1998 to 1999; President and Chief Executive Officer of UBS Asset Management (New York) Inc. from 1996 to 1998; Functional Advisor (Institutional Asset Management) of Union Bank of Switzerland from 1994 to 1996	N/A	N/A
Hal Liebes, Esq. Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 36	Vice President and Secretary	Since 1999	Managing Director and General Counsel of CSAM; Associated with Lehman Brothers, Inc. from 1996 to 1997; Associated with CSAM from 1995 to 1996; Associated with CS First Boston Investment Management from 1994 to 1995; Associated with Division of Enforcement, U.S. Securities and Exchange Commission from 1991 to 1994	N/A	N/A
Michael A. Pignataro Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 42	Treasurer and Chief Financial Officer	Since 1999	Director and Director of Fund Administration of CSAM; Associated with CSAM since 1984	N/A	N/A

Credit Suisse Trust — Emerging Markets Portfolio
Information Concerning Trustees and Officers (Unaudited) (continued)

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Officer	Other Directorships Held by Officer
Officers—(continued)					
Gregory N. Bressler, Esq. Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 35	Assistant Secretary	Since 2000	Vice President and Legal Counsel of CSAM since January 2000; Associated with the law firm of Swidler Berlin Shereff Friedman LLP from 1996 to 2000	N/A	N/A
Stuart J. Cohen Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 32	Assistant Secretary	Since Portfolio Inception	Vice President and Legal Counsel of CSAM; Associated with CSAM since Credit Suisse acquired the Funds' predecessor adviser in July 1999; with the predecessor adviser since 1997; Associated with the law firm of Gordon Altman Butowsky Weitzen Shalov & Wein from 1995 to 1997	N/A	N/A
Rocco A. DelGuercio Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 38	Assistant Treasurer	Since 1999	Vice President and Administrative Officer of CSAM; Associated with CSAM since June 1996;Assistant Treasurer, Bankers Trust Corp. — Fund Administration from March 1994 to June 1996; Mutual Fund Accounting Supervisor, Dreyfus Corporation from April 1987 to March 1994	N/A	N/A

Credit Suisse Trust — Emerging Markets Portfolio
Information Concerning Trustees and Officers (Unaudited) (concluded)

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Officer	Other Directorships Held by Officer
Officers—(continued)					
Joseph Parascondola Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 38	Assistant Treasurer	Since 2001	Assistant Vice President — Fund Administration of CSAM since April 2000; Assistant Vice President, Deutsche Asset Management from January 1999 to April 2000; Assistant Vice President, Weiss, Peck & Greer LLC from November 1995 to December 1998	N/A	N/A

The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request, by calling 800-222-8977.

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CREDIT SUISSE FUNDS

CREDIT SUISSE | ASSET MANAGEMENT

P.O. Box 9030, Boston, MA 02205-9030
800-222-8977

CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR. TREMK-2-1201

CREDIT SUISSE FUNDS

CREDIT SUISSE | ASSET MANAGEMENT

ANNUAL REPORT

December 31, 2001

CREDIT SUISSE TRUST — GLOBAL POST-VENTURE CAPITAL PORTFOLIO

Credit Suisse Trust (the "Trust") shares are not available directly to individual investors, but may be offered only through certain insurance products and pension and retirement plans.

More complete information about the Trust, including charges and expenses, is provided in the *Prospectus,* which must precede or accompany this document and which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Trust, P.O. Box 9030, Boston, MA 02205-9030.

Credit Suisse Asset Management Securities, Inc., Distributor, is located at 466 Lexington Ave., New York, NY 10017-3147. The Trust is advised by Credit Suisse Asset Management, LLC.

The Portfolio's investment adviser and co-administrators may waive some fees and/or reimburse some expenses, without which performance would be lower. Waivers and/or reimbursements are subject to change.

Returns include change in share price and reinvestment of dividends and capital gains. ***Past performance cannot guarantee future results.*** *Returns and share price will fluctuate, and redemption value may be more or less than original cost.*

The views of the Portfolio's management are as of the date of the letter and the portfolio holdings described in this document are as of December 31, 2001; these views and portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

Portfolio shares are not deposits or other obligations of Credit Suisse Asset Management, LLC ("CSAM") or any affiliate, are not FDIC-insured and are not guaranteed by CSAM or any affiliate.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Annual Investment Adviser's Report
December 31, 2001

January 29, 2002

Dear Shareholder:

For the 12 months ended December 31, 2001, Credit Suisse Trust—Global Post-Venture Capital Portfolio[1] (the "Portfolio") had a loss of 28.63%, vs. a loss of 9.23% for the Russell 2000 Growth Index,[2] a loss of 10.83% for the Russell 2500 Growth Index[3] and a loss of 6.33% for the Nasdaq Industrials Index.[4]

Most stock markets suffered losses in the period as the global economy weakened and as profit expectations tumbled. Within Europe, many markets had double-digit declines, while Japan struggled amid growing pessimism regarding its economy and its grip on internal financial reforms. Growth-oriented shares, such as technology stocks, generally had the largest losses for the year, notwithstanding their strong rally in the last few months of the period.

The Portfolio's return reflected the overall harsh environment for the smaller-cap and aggressive growth stocks it targets (in addition, the Portfolio's returns were worsened by its exposure to the yen and European currencies, which declined vs. the U.S. dollar in the period). Poor showings from the Portfolio's North American and European technology stocks especially weighed on its performance. Selling pressure in the technology group was intense through much of the period, and fairly indiscriminate of long-term growth prospects. On the positive side, stocks that helped the Portfolio's return included specific consumer-discretionary names.

In terms of our regional strategy, we continued to favor the U.S., which accounted for about 60% of the Portfolio's investments as of December 31. This bias in part reflects our view that the U.S. economy will probably recover ahead of other major economies. While the recent rate cuts made by European central banks should prove stimulative, at some point, the U.S. Federal Reserve seems far ahead of the curve, having aggressively lowered rates throughout 2001. We continued to have serious concerns regarding Japan's economy, although we view certain Japanese companies favorably for their innovation and long-term growth prospects; hence our exposure (about 8%).

With respect to sector allocation, we made no dramatic changes. Technology stocks represented about 25% of the Portfolio at the end of the year. We consider this to be far from an aggressive weighting, given technology's large share of the post-venture-capital stock universe. We remain quite willing to raise our exposure, but would like to see an improvement in industry conditions, such as a stronger forecast for information-technology budgets. Our approach to technology companies will remain highly selective. The rest of the portfolio remained invested across a range of sectors, with noteworthy weightings in the consumer, health-care, financial-services and industrial areas.

In terms of recent portfolio activity, purchases we made late in the period included an Irish airline that we believe has a compelling business profile, including little debt, and a plan to add 50 airplanes over the next few years. Another addition was a provider of proprietary post-secondary education services (e.g., bachelor-degree programs and various niche non-degree programs) in the United States. In our judgment, the company is well positioned to tap the growing demand for such services. We also added to two of our U.K. health-care positions.

Looking ahead, the key question for us is whether or not real earnings can meet the market's expectations. As we watch for evidence of a global economic recovery, we are aware that uncertainty remains and that stock markets will likely remain quite volatile.

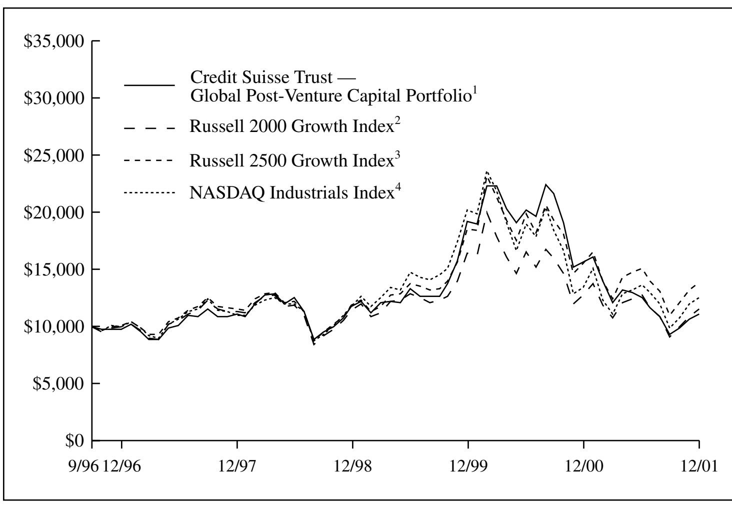
However, we also believe that good investment opportunities should be available for investors that focus on stock-specific factors. And we expect to see very compelling stories arise in our investment world over time. We believe that new companies and maybe even new industries will be born to capitalize on new paradigms, as concepts such as the defense and security of the physical and information worlds are reassessed. We believe that venture capital could fund many of the best ideas. In general, our focus will remain on innovative companies we deem to have strong managements and the financial resources to execute their strategies.

Elizabeth B. Dater Co-Portfolio Manager	Vincent J. McBride Co-Portfolio Manager
Greg Norton-Kidd Co-Portfolio Manager	Calvin E. Chung Associate Portfolio Manager

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods. Because of the nature of the Portfolio's post-venture-capital investments and certain aggressive strategies it may use, an investment in the Portfolio may not be appropriate for all investors. There are also special risk considerations associated with post-venture capital investments. These are detailed in the Prospectus, which should be read carefully before investing.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Annual Investment Adviser's Report (concluded)
December 31, 2001

Comparison of Change in Value of $10,000 Investment in the Credit Suisse Trust — Global Post-Venture Capital Portfolio, the Russell 2000 Growth Index, the Russell 2500 Growth Index, and the NASDAQ Industrials Index from Inception (9/30/96) and at each Month End. (Unaudited)



Average Annual Total Returns for the periods ended 12/31/01
1 year (28.63%)
3 year (1.95%)
5 year 2.69%
From inception (9/30/96) 2.08%

Note: Past performance is not predictive of future performance. Investment return and principal value of an investment will fluctuate so that an investor's shares upon redemption may be worth more or less than their original cost.

1 Name changed from Warburg Pincus Trust—Global Post-Venture Capital Portfolio effective December 12, 2001.

2 The Russell 2000 Growth Index is an unmanaged index (with no defined investment objective) of those securities in the Russell 2000 Index with a greater-than-average growth orientation. It includes reinvestment of dividends, and is compiled by Frank Russell Company. Investors cannot invest directly in an index.

3 The Russell 2500 Growth Index measures the performance of those companies in the Russell 2500 Index with higher price-to-book values and higher forecasted growth rates. The Russell 2500 Index is composed of the 2,500 smallest companies in the Russell 3000 Index, which measures the performance of 3,000 of the largest U.S. companies based on total market capitalization. Investors cannot invest directly in an index.

4 The Nasdaq Industrials Index measures the stock price performance of more than 3,000 industrial issues included in the Nasdaq OTC Composite Index. The Nasdaq OTC Composite Index represents 4,500 stocks traded over the counter. Investors cannot invest directly in an index.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments
December 31, 2001

	Number of Shares	Value
COMMON STOCKS (93.1%)		
Bermuda (1.4%)		
Insurance (1.4%)		
Ace, Ltd.	36,500	$ 1,465,475
TOTAL BERMUDA		1,465,475
Canada (1.7%)		
Pharmaceuticals (1.7%)		
Biovail Corp. ADR[1]	33,100	1,861,875
TOTAL CANADA		1,861,875
France (3.2%)		
Commercial Services & Supplies (1.4%)		
Neopost SA[1]	52,800	1,538,229
Healthcare Providers & Services (1.1%)		
Generale de Sante[1]	94,700	1,210,816
Machinery (0.7%)		
Pinguely-Haulotte	72,600	717,519
TOTAL FRANCE		3,466,564
Ireland (1.3%)		
Airlines (1.3%)		
Ryanair Holdings PLC[1]	221,800	1,355,805
TOTAL IRELAND		1,355,805
Israel (1.7%)		
Healthcare Equipment & Supplies (1.7%)		
Card-Guard Scientific Survival, Ltd.[1]	48,000	1,866,180
TOTAL ISRAEL		1,866,180
Italy (2.1%)		
Food Products (1.3%)		
Parmalat Finanziaria SpA	533,200	1,438,489
Real Estate (0.8%)		
Beni Stabili SpA	1,869,700	885,640
TOTAL ITALY		2,324,129
Japan (7.5%)		
Commercial Services & Supplies (2.5%)		
Venture Link Co., Ltd.	48,150	2,623,158
Leisure Equipment & Products (4.3%)		
Nintendo Co., Ltd.[1]	14,800	2,591,638
Sega Corp.[1]	97,800	1,951,374
		4,543,012
Wireless Telecommunications Services (0.7%)		
NTT DoCoMo, Inc.	62	728,521
TOTAL JAPAN		7,894,691

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (continued)
December 31, 2001

	Number of Shares	Value
COMMON STOCKS (continued)		
Netherlands (2.7%)		
Food Products (1.2%)		
Nutreco Holding NV	40,500	$ 1,294,563
Oil & Gas (0.7%)		
Petroplus International NV	43,526	722,772
Semiconductor Equipment & Products (0.8%)		
ASML Holding NV[1]	51,200	872,960
TOTAL NETHERLANDS		2,890,295
Singapore (1.0%)		
Electronic Equipment & Instruments (1.0%)		
Venture Manufacturing, Ltd.	142,000	1,022,800
TOTAL SINGAPORE		1,022,800
Spain (1.2%)		
IT Consulting & Services (1.2%)		
Indra Sistemas SA	149,000	1,262,982
TOTAL SPAIN		1,262,982
Switzerland (1.7%)		
Computers & Peripherals (0.9%)		
Logitech International SA[1]	27,400	1,002,566
Insurance (0.8%)		
Converium Holding AG[1]	16,800	816,580
TOTAL SWITZERLAND		1,819,146
Taiwan (2.1%)		
Semiconductor Equipment & Products (2.1%)		
United Microelectronics Corp.	1,556,000	2,267,960
TOTAL TAIWAN		2,267,960
United Kingdom (10.4%)		
Commercial Services & Supplies (1.7%)		
Nestor Healthcare Group PLC	224,500	1,788,903
Computers & Peripherals (1.2%)		
Marlborough Stirling PLC	438,200	1,307,412
Diversified Financials (1.9%)		
Amvescap PLC	58,000	836,542
Amvescap PLC ADR	31,875	925,012
Insignia Solutions, Inc. ADR[1]	163,200	244,800
		2,006,354
Household Durables (1.7%)		
MFI Furniture Group PLC	894,500	1,822,614
Media (0.7%)		
Eyretel PLC[1]	586,000	759,056

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (continued)
December 31, 2001

	Number of Shares	Value
COMMON STOCKS (continued)		
United Kingdom (continued)		
Pharmaceuticals (2.0%)		
Shire Pharmaceuticals Group PLC[1]	169,500	$ 2,121,556
Specialty Retail (1.2%)		
Electronics Boutique PLC	631,500	1,259,158
TOTAL UNITED KINGDOM		11,065,053
United States (55.1%)		
Banks (1.3%)		
Mellon Financial Corp.	37,100	1,395,702
Biotechnology (4.5%)		
Applera Corp-Celera Genomics Group[1]	37,584	1,003,117
Genentech, Inc.[1]	25,800	1,399,650
Gilead Sciences, Inc.[1]	16,100	1,058,092
Medimmune, Inc.[1]	28,800	1,334,880
		4,795,739
Commercial Services & Supplies (0.9%)		
DeVry, Inc.[1]	32,100	913,245
Computers & Peripherals (1.1%)		
McDATA Corp. Class A[1]	49,500	1,212,750
Construction & Engineering (1.1%)		
Granite Construction, Inc.	49,000	1,179,920
Construction Materials (1.5%)		
Dal-Tile International, Inc.[1]	68,300	1,587,975
Consumer Services (0.5%)		
Education MGT Corp.[1]	15,600	565,500
Diversified Financials (2.8%)		
Gabelli Asset Management, Inc. Class A[1]	34,600	1,494,720
Radian Group, Inc.	35,300	1,516,135
		3,010,855
Electronic Equipment & Instruments (1.0%)		
Microchip Technology, Inc.[1]	27,000	1,045,980
Food & Drug Retailing (1.1%)		
Pathmark Stores, Inc.[1]	46,400	1,144,224
Healthcare Providers & Services (4.8%)		
AdvancePCS[1]	36,800	1,080,080
Community Health Care[1]	61,700	1,573,350
Manor Care, Inc.[1]	55,700	1,320,647
Quest Diagnostics, Inc.[1]	16,200	1,161,702
		5,135,779
Hotels Restaurants & Leisure (1.2%)		
Six Flags, Inc.[1]	83,400	1,282,692

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS (continued)		
United States (continued)		
Household Durables (3.3%)		
Lennar Corp.	27,200	$ 1,273,504
Polycom, Inc.[1]	66,300	2,258,841
		3,532,345
Internet Software & Services (3.1%)		
BEA Systems, Inc.[1]	69,700	1,073,380
Interwoven, Inc.[1]	98,600	960,364
Openwave Systems, Inc.[1]	112,300	1,099,417
Planetweb, Inc.[1,2]	183,800	130,498
		3,263,659
IT Consulting & Services (1.2%)		
BISYS Group, Inc.[1]	19,800	1,267,002
Leisure Equipment & Products (1.4%)		
Mattel, Inc.	84,300	1,449,960
Limited Partnerships (0.4%)		
Austin Ventures LP[1,2]	66,305	66,305
CVC Capital Partners[1,2]	39,424	39,424
Madison Dearborn Capital Partners IV LP[1,2]	65,818	65,818
Oak Investment Partners X LP[1,2]	246,360	246,360
		417,907
Media (6.5%)		
Cablevision Systems Corp. Class A[1]	23,500	1,115,075
Clear Channel Communications, Inc.[1]	23,600	1,201,476
Insight Communications Co., Inc.[1]	76,500	1,848,240
USA Networks, Inc.[1]	53,500	1,461,085
Westwood One, Inc.[1]	41,900	1,259,095
		6,884,971
Oil & Gas (2.6%)		
Chaparral Resources, Inc.[1]	2,778	4,195
Newfield Exploration Co.[1]	40,500	1,438,155
Spinnaker Exploration Co.[1]	33,200	1,366,512
		2,808,862
Pharmaceuticals (1.2%)		
IVAX Corp.[1]	61,300	1,234,582
Real Estate (1.0%)		
Istar Financial	43,000	1,072,850
Semiconductor Equipment & Products (4.1%)		
Maxim Integrated Products, Inc.[1]	17,700	929,427
Novellus Systems, Inc.[1]	35,700	1,408,365
Ultratech Stepper, Inc.[1]	59,100	976,332
Xilinx, Inc.[1]	28,400	1,109,020
		4,423,144

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (continued)
December 31, 2001

	Number of Shares	Value
COMMON STOCKS (continued)		
United States (continued)		
Software (5.7%)		
Convera Corp.[1]	267,700	$ 896,795
E.piphany, Inc.[1]	156,500	1,363,115
Manugistics Group, Inc.[1]	88,400	1,863,472
Midway Games, Inc[1]	43,700	655,937
NetIQ Corp.[1]	37,000	1,304,620
		6,083,939
Specialty Retail (2.8%)		
Barnes & Noble, Inc.[1]	26,400	781,440
Bed Bath & Beyond, Inc.[1]	35,600	1,206,840
Hot Topic, Inc.[1]	33,600	1,054,704
		3,042,984
TOTAL UNITED STATES		58,752,566
TOTAL COMMON STOCKS (Cost $94,205,123)		99,315,521
PREFERRED STOCK (0.7%)		
United States (0.7%)		
Consumer Services (0.7%)		
PRN Corp. (Cost $711,000)[1,2]	79,000	711,000
WARRANTS (0.0%)		
United Kingdom (0.0%)		
Software (0.0%)		
Insignia Solutions, Inc., strike $6.00, expires November 2003[1]	81,600	0
United States (0.0%)		
Consumer Services (0.0%)		
PRN Corp., strike $0.01, expires August 2011[1,2]	18,283	0
TOTAL WARRANTS (Cost $0)		0

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (concluded)
December 31, 2001

	Par (000)	Value
UNITED STATES TREASURY OBLIGATION (1.8%)		
United States Treasury Notes (1.8%)		
United States Treasury Notes, 5.625%, 11/30/02 (Cost $1,853,173)	$1,830	$ 1,890,548
SHORT-TERM INVESTMENT (3.6%)		
State Street Bank & Trust Co. Euro Time Deposit, 1.50%, 1/02/02 (Cost $3,844,000)	3,844	3,844,000
TOTAL INVESTMENTS AT VALUE (99.2%) (Cost $100,613,296[3])		105,761,069
OTHER ASSETS IN EXCESS OF LIABILITIES (0.8%)		896,458
NET ASSETS (100.0%)		$106,657,527

INVESTMENT ABBREVIATIONS

ADR = American Depository Receipt

[1] Non-income producing security.

[2] Illiquid security that is restricted as to resale; security is valued in good faith by management and approved by the Board of Trustees.

[3] Cost for federal income tax purposes is $100,730,355.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Statement of Assets and Liabilities
December 31, 2001

Assets	
Investments at value (Cost $100,613,296)	$105,761,069
Cash	326
Foreign currency (Cost $8,506)	8,413
Receivable for fund shares sold	1,502,453
Dividend, interest and reclaim receivable	31,393
Prepaid expenses and other assets	5,120
Total Assets	107,308,774
Liabilities	
Advisory fee payable	60,609
Administrative services fee payable	16,691
Payable for fund shares redeemed	533,831
Other accrued expenses payable	40,116
Total Liabilities	651,247
Net Assets	
Capital stock, $0.001 par value	10,977
Paid-in capital	162,635,309
Accumulated undistributed net investment loss	(39,689)
Accumulated net realized loss from investments and foreign currency transactions	(61,096,918)
Net unrealized appreciation from investments and foreign currency translations	5,147,848
Net Assets	$106,657,527
Shares outstanding	10,976,703
Net asset value, offering price and redemption price per share	$ 9.72

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Statement of Operations
For the Year Ended December 31, 2001

Investment Income	
Dividends	$ 427,021
Interest	296,126
Foreign taxes withheld	(37,671)
Total investment income	685,476
Expenses	
Investment advisory fees	1,520,578
Administrative services fees	229,349
Printing fees	92,762
Custodian fees	53,119
Audit fees	17,126
Legal fees	16,060
Transfer agent fees	7,107
Insurance expense	5,882
Interest expense	5,855
Trustees fees	3,098
Miscellaneous expense	7,782
Total expenses	1,958,718
Less: fees waived and transfer agent offsets	(255,671)
Net expenses	1,703,047
Net investment loss	(1,017,571)
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized loss from investments	(52,459,506)
Net realized gain from foreign currency transactions	30,059
Net change in unrealized appreciation (depreciation) from investments	6,858,821
Net change in unrealized appreciation (depreciation) from foreign currency translations	(17,105)
Net realized and unrealized loss from investments and foreign currency related items	(45,587,731)
Net decrease in net assets resulting from operations	$(46,605,302)

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Statements of Changes in Net Assets

	For the Year Ended December 31, 2001	For the Year Ended December 31, 2000[1]
From Operations		
Net investment loss	$ (1,017,571)	$ (1,432,433)
Net realized gain (loss) from investments and foreign currency transactions	(52,429,447)	15,878,092
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	6,841,716	(60,507,357)
Net decrease in net assets resulting from operations	(46,605,302)	(46,061,698)
From Distributions		
Distributions from net realized gains	—	(21,495,869)
Net decrease in net assets from distributions	—	(21,495,869)
From Capital Share Transactions		
Proceeds from sale of shares	128,517,444	238,651,639
Reinvestment of distributions	—	21,495,858
Net asset value of shares redeemed	(143,289,020)	(176,339,135)
Net increase (decrease) in net assets from capital share transactions	(14,771,576)	83,808,362
Net increase (decrease) in net assets	(61,376,878)	16,250,795
Net Assets		
Beginning of year	168,034,405	151,783,610
End of year	$ 106,657,527	$ 168,034,405

[1] Certain distribution amounts have been reclassified to conform to the current year presentation.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Captial Portfolio
Financial Highlights
(For a Share of the Portfolio Outstanding Throughout Each Period)

	For the Year Ended December 31,				
	2001	2000[1]	1999	1998	1997
Per share data					
Net asset value, beginning of period	$ 13.62	$ 19.26	$ 11.82	$ 11.06	$ 9.76
INVESTMENT OPERATIONS					
Net investment loss	(0.09)	(0.09)	(0.08)	(0.04)	(0.08)
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	(3.81)	(3.56)	7.52	0.80	1.38
Total from investment operations	(3.90)	(3.65)	7.44	0.76	1.30
LESS DISTRIBUTIONS					
Distributions from net realized gains	—	(1.99)	—	—	—
Total distributions	—	(1.99)	—	—	—
Net asset value, end of period	$ 9.72	$ 13.62	$ 19.26	$ 11.82	$ 11.06
Total return	(28.63)%	(18.94)%	62.94%	6.87%	13.34%
RATIOS AND SUPPLEMENTAL DATA					
Net assets, end of period (000s omitted)	$106,658	$168,034	$151,784	$62,055	$30,520
Ratio of expenses to average net assets[2]	1.40%	1.42%	1.41%	1.40%	1.40%
Ratio of net investment loss to average net assets	(0.84)%	(0.75)%	(0.87)%	(0.83)%	(0.75)%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.21%	0.11%	0.18%	0.30%	0.18%
Portfolio turnover rate	121%	69%	44%	73%	238%

[1] Certain distribution amounts have been reclassified to conform to the current year presentation.

[2] Interest earned on uninvested cash balances is used to offset portions of the transfer agent expense. These arrangements resulted in a reduction to the Portfolio's net expense ratio by .00%, .02%, .01%, .00%, and .00% for each of the years ended December 31, 2001, 2000, 1999, 1998, and 1997, respectively. The Portfolio's operating expense ratio after reflecting these arrangements was 1.40% for each of the years ended December 31, 2001, 2000, 1999, 1998, and 1997, respectively.

See Accompanying Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Credit Suisse Trust, formerly Warburg Pincus Trust (the "Trust"), a Massachusetts business trust, is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers nine managed investment portfolios of which one, the Global Post-Venture Capital Portfolio (the "Portfolio"), is included in this report. The Portfolio is a diversified investment fund that seeks long-term growth of capital. Shares of the Portfolio are not available directly to individual investors but may be offered only through (a) variable annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. The Portfolio may not be available in connection with a particular contract or plan.

A) SECURITY VALUATION — The net asset value of the Portfolio is determined daily as of the close of regular trading on the New York Stock Exchange, Inc. The Portfolio's investments are valued at market value, which is generally determined using the last reported sales price. If no sales are reported, investments are generally valued at the last reported bid price, and if there is no bid price available, at the most recent ask price. Debt securities are valued on the basis of broker quotations or valuations provided by a pricing service which may use a matrix, formula or other objective method that takes into consideration market indices, matrices, yield curves and other specific adjustments. If market quotations are not readily available, securities and other assets are valued by another method that the Board of Trustees believes accurately reflects fair value. Debt obligations that will mature in 60 days or less are valued on the basis of amortized cost, which approximates market value, unless the Board determines that using this method would not reflect an investment's value.

The Portfolio initially values its investments in private-equity portfolios at cost. After that, the Portfolio values these investments according to reports from the private-equity portfolios that Abbott Capital Management, LLC ("Abbott"), the Portfolio's sub-investment adviser, generally receives on a quarterly basis. The Portfolio's net asset value typically will not reflect interim changes in the values of its private-equity-portfolio investments.

B) FOREIGN CURRENCY TRANSACTIONS — The books and records of the Portfolio are maintained in U.S. dollars. Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the current exchange rate at the end of the period.

Note 1. Summary of Significant Accounting Policies — (continued)

Translation gains or losses resulting from changes in the exchange rate during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Portfolio does not isolate that portion of realized gains and losses on investments in equity securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of equity securities. The Portfolio isolates that portion of realized gains and losses on investments in debt securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of debt securities.

C) SECURITY TRANSACTIONS AND INVESTMENT INCOME — Security transactions are accounted for on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes.

D) DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — Dividends from net investment income and distributions of net realized capital gains, if any, are declared and paid at least annually. However, to the extent that a net realized capital gain can be reduced by a capital loss carryover, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations which may differ from accounting principles generally accepted in the United States of America ("GAAP").

E) FEDERAL INCOME TAXES — No provision is made for federal taxes as it is the Trust's intention to have the Portfolio continue to qualify for and elect the tax treatment applicable to regulated investment companies under the Internal Revenue Code of 1986, as amended, and make the requisite distributions to its shareholders which will be sufficient to relieve it from federal income and excise taxes.

F) USE OF ESTIMATES — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

G) SHORT-TERM INVESTMENTS — The Portfolio, together with other funds/portfolios advised by Credit Suisse Asset Management, LLC

Note 1. Summary of Significant Accounting Policies — (continued)

("CSAM"), an indirect, wholly-owned subsidiary of Credit Suisse Group, pool available cash into a short-term time deposit issued by State Street Bank & Trust, the Portfolio's custodian. The short-term time deposit is a variable rate account classified as a short-term investment.

H) FORWARD FOREIGN CURRENCY CONTRACTS — The Portfolio may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. The Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At December 31, 2001, the Portfolio had no open forward foreign currency contracts.

I) OTHER — The Portfolio may invest in securities of foreign countries and governments which involve certain risks in addition to those inherent in domestic investments. Such risks generally include, among others, currency risk (fluctuations in currency exchange rates), information risk (key information may be inaccurate or unavailable) and political risk (expropriation of assets, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity, market, operational and valuation risks.

The Portfolio may be subject to taxes imposed by countries in which it invests, with respect to its investments in issuers existing or operating in such countries. Such taxes are generally based on income earned or repatriated and capital gains realized on the sale of such investments. The Portfolio accrues such taxes when the related income or capital gains are earned.

Note 2. Transactions with Affiliates and Related Parties

CSAM serves as investment adviser for the Portfolio. For its investment advisory services, CSAM is entitled to receive a fee from the Portfolio at an annual rate of 1.25% of the Portfolio's average daily net assets. For the year ended December 31, 2001, investment advisory fees earned and voluntarily waived were $1,520,578 and $252,132, respectively.

Note 2. Transactions with Affiliates and Related Parties — (continued)

Abbott serves as sub-investment adviser for the Portfolio's assets invested in U.S. or foreign private limited partnerships or other investment funds ("Private Fund Investments"). Pursuant to the sub-advisory agreement between Abbott and CSAM, Abbott is entitled to a quarterly fee from CSAM at the annual rate of 1.00% of the value of the Portfolio's Private Fund Investments as of the end of each calendar quarter, which fee amount or a portion thereof may be waived by Abbott. No compensation is paid by the Portfolio to Abbott for its sub-investment advisory services.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of CSAM, and PFPC Inc. ("PFPC"), an indirect, wholly-owned subsidiary of PNC Financial Services Group, serve as co-administrators to the Portfolio. For its administrative services, CSAMSI currently receives a fee calculated at an annual rate of .10% of the Portfolio's average daily net assets. For the year ended December 31, 2001, administrative services fees earned by CSAMSI were $121,646.

For its administrative services through February 4, 2001, PFPC was entitled to receive a fee, exclusive of out-of-pocket expenses, based on the following fee structure:

Average Daily Net Assets	Annual Rate
First $500 million	.11% of average daily net assets
Next $1 billion	.09% of average daily net assets
Over $1.5 billion	.07% of average daily net assets

Effective February 5, 2001, for its administrative services, PFPC is entitled to receive a fee, exclusive of out-of-pocket expenses, based on the following fee structure:

Average Daily Net Assets	Annual Rate
First $500 million	.08% of average daily net assets
Next $1 billion	.07% of average daily net assets
Over $1.5 billion	.06% of average daily net assets

For the year ended December 31, 2001, administrative service fees earned by PFPC (including out of pocket expenses) were $107,703.

In addition to serving as the Portfolio's co-administrator, CSAMSI currently serves as distributor of the Portfolio's shares without compensation.

Boston Financial Data Services, Inc. ("BFDS") serves as the Portfolio's transfer and dividend disbursement agent. The Portfolio has an arrangement with BFDS whereby interest earned on uninvested cash balances is used to

Note 2. Transactions with Affiliates and Related Parties — (continued)

offset a portion of its transfer agent expense. For the year ended December 31, 2001, the Portfolio received credits or reimbursements of $3,539 under this arrangement.

Merrill Corporation ("Merrill"), an affiliate of CSAM, has been engaged by the Portfolio to provide certain financial printing services. For the year ended December 31, 2001, Merrill was paid $29,727 for its services by the Portfolio.

Note 3. Line of Credit

Through June 19, 2001, the Portfolio, together with other funds/portfolios advised by CSAM (collectively, the "Participating Funds"), participated in a $350 million committed, unsecured, line of credit facility (the "Prior Credit Facility") with Deutsche Bank, A.G. as administrative agent, State Street Bank and Trust Company as operations agent, Bank of Nova Scotia as syndication agent and certain other lenders, for temporary or emergency purposes primarily relating to unanticipated Participating Funds' share redemptions. Under the terms of the Prior Credit Facility, the Participating Funds paid an aggregate commitment fee at a rate of .075% per annum on the entire amount of the Prior Credit Facility, which was allocated among the Participating Funds in such manner as was determined by the governing Boards of the Participating Funds. In addition, the Participating Funds paid interest on borrowings at the Federal funds rate plus .50%.

Effective June 20, 2001, the Participating Funds, together with additional funds/portfolios advised by CSAM (collectively with the Participating Funds, the "New Participating Funds"), established a new $200 million committed, unsecured, line of credit facility (the "New Credit Facility") with Deutsche Bank, A.G. as administrative agent, State Street Bank and Trust Company as operations agent, BNP Paribas as syndication agent and certain other lenders, for the same purposes as the Prior Credit Facility. Under the terms of the New Credit Facility, the New Participating Funds pay an aggregate commitment fee at a rate of .10% per annum on the average unused amount of the New Credit Facility, which is allocated among the New Participating Funds in such manner as is determined by the governing Boards of the New Participating Funds. The interest rate paid under the New Credit Facility is unchanged from the rate paid under the Prior Credit Facility. At December 31, 2001, there were no loans outstanding under either the New Credit Facility or the Prior Credit Facility.

Note 3. Line of Credit — (continued)

During the year ended December 31, 2001, the Portfolio had borrowings under the Prior Credit Facility and/or the New Credit Facility as follows:

Average Daily Loan Balance	Weighted Average Interest Rate %	Maximum Daily Loan Outstanding
$45,416	4.722%	$2,195,000

Note 4. Purchases and Sales of Securities

For the year ended December 31, 2001, purchases and sales of investment securities (excluding short-term investments) were $143,083,464 and $155,341,311, respectively.

Note 5. Restricted Securities

Certain investments of the Portfolio are restricted as to resale and are valued as determined by or under the direction of the Board in good faith, at fair value. Although these securities may be resold in privately negotiated transactions, the prices realized from such sales could differ from the price originally paid by the Portfolio or the current carrying values, and the difference could be material. The table below shows the acquisition dates, aggregate cost, fair value as of December 31, 2001 and percent of net assets which the securities represent.

Security Description	Acquisition Date	Cost	Fair Market Value	Percentage of Net Assets
Austin Ventures LP	7/13/01	$ 70,000	$ 66,305	0.06%
CVC Capital Partners	9/04/01	44,896	39,424	0.04%
Madison Dearborn Capital Partners IV LP	4/02/01	76,219	65,818	0.06%
Oak Investment Partners X LP	1/18/01	269,908	246,360	0.24%
Planetweb, Inc.	9/08/00	998,331	130,498	0.12%
PRN Corp.	8/13/01	711,000	711,000	0.67%
PRN Corp. Warrants	8/14/01	—	—	—
		$2,170,354	$1,259,405	1.19%

Note 6. Capital Share Transactions

The Portfolio is authorized to issue an unlimited number of full and fractional shares of beneficial interest, par value of $.001 per share. Transactions in shares of the Portfolio were as follows:

	For the Year Ended December 31, 2001	For the Year Ended December 31, 2000
Shares sold	12,089,897	11,842,996
Shares issued in reinvestment of distributions	—	1,578,257
Shares redeemed	(13,450,827)	(8,963,576)
Net increase (decrease)	(1,360,930)	4,457,677

Note 7. Federal Income Taxes

Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments of foreign currency transactions, losses deferred due to wash sales and Post-October losses, investments in passive foreign investment companies and excise tax regulations.

There were no distributions in the year ended December 31, 2001.

At December 31, 2001, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ —
Capital loss carryovers	(57,257,384)
Unrealized appreciation	5,030,789
	$(52,226,595)

At December 31, 2001, the Portfolio had capital loss carryovers available to offset possible future capital gains of $57,257,384 expiring in 2009.

Pursuant to federal income tax regulations applicable to investment companies, the Portfolio has elected to treat net capital losses realized between November 1 and December 31, 2001 as occurring on the first day of the following tax year. For the year ended December 31, 2001, $3,762,164 of realized capital losses reflected in the accompanying financial statements will not be recognized for federal income tax purposes until 2002.

At December 31, 2001, the net unrealized appreciation from investments for those securities having an excess of value over cost and net unrealized depreciation from investments for those securities having an excess of cost over value (based on cost for federal income tax purposes) was $15,637,123 and $10,606,334, respectively. The difference between book basis and tax-basis unrealized appreciation is attributable primarily to the tax deferral of losses on wash sales and on investments in passive foreign investment companies.

At December 31, 2001, capital contributions, accumulated undistributed net investment income and accumulated net realized gain (loss) from investments and foreign currency transactions have been adjusted for current period permanent book/tax differences which arose principally from differing book/tax treatments of net operating losses and foreign currency transactions. The Portfolio reclassified $(30,059) from accumulated net realized gain (loss) from investments and foreign currency transactions to accumulated undistributed net investment income. $(972,994) was reclassified from accumulated undistributed net investment income to capital contributions. Net investment income, net realized gain (loss) on investments and net assets were not affected by these reclassifications.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Report of Independent Accountants

To the Board of Trustees and Shareholders
of Global Post-Venture Capital Portfolio:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects the financial position of the Global Post-Venture Capital Portfolio (the "Fund"), a portfolio of the Credit Suisse Trust at December 31, 2001, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2001 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 5, 2002

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Information Concerning Trustees and Officers (Unaudited)

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees					
Richard H. Francis 40 Grosvenor Road Short Hills, New Jersey 07078 Age: 68	Trustee and Audit Committee Member	Since 2000	Currently retired; Executive Vice President and Chief Financial Officer of Pan Am Corporation and Pan American World Airways, Inc. from 1988 to 1991	59	Director of The Indonesia Fund, Inc.
Jack W. Fritz 2425 North Fish Creek Road P.O. Box 1287 Wilson, Wyoming 83014 Age: 73	Trustee and Audit Committee Member	Since Portfolio Inception	Private investor; Consultant and Director of Fritz Broadcasting, Inc. and Fritz Communications (developers and operators of radio stations) since 1987	59	Director of Advo, Inc. (direct mail advertising)
Jeffrey E. Garten Box 208200 New Haven, Connecticut 06520-8200 Age: 54	Trustee and Audit Committee Member	Since 2000	Dean of Yale School of Management and William S. Beinecke Professor in the Practice of International Trade and Finance; Undersecretary of Commerce for International Trade from November 1993 to October 1995; Professor at Columbia University from September 1992 to November 1993	59	Director of Aetna, Inc.; Director of Calpine Energy Corporation

[1] Each Trustee and Officer serves until his or her respective successor has been duly elected and qualified.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Information Concerning Trustees and Officers (Unaudited) (continued)

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees—(continued)					
Peter F. Krogh 301 ICC Georgetown University Washington, DC 20057 Age: 64	Trustee and Audit Committee Member	Since 2001	Dean Emeritus and Distinguished Professor of International Affairs at the Edmund A. Walsh School of Foreign Service, Georgetown University; Moderator of PBS foreign affairs television series	59	Member of Board of The Carlisle Companies Inc.; Member of Selection Committee for Truman Scholars and Henry Luce Scholars; Senior Associate of Center for Strategic and International Studies; Trustee of numerous world affairs organizations
James S. Pasman, Jr. 29 The Trillium Pittsburgh, Pennsylvania 15238 Age: 70	Trustee and Audit Committee Member	Since 2000	Currently retired; President and Chief Operating Officer of National InterGroup, Inc. from April 1989 to March 1991; Chairman of Permian Oil Co. from April 1989 to March 1991	59	Director of Education Management Corp., Tyco International Ltd.; Credit Suisse Asset Management Income Fund, Inc.; Trustee of Credit Suisse High Yield Bond Fund; Deutsche VIT Funds

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Information Concerning Trustees and Officers (Unaudited) (continued)

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees—(continued)					
Steven N. Rappaport Loanet, Inc. 40 East 52nd Street New York, New York 10022 Age: 52	Trustee and Audit Committee Chairman	Since 2000	President of Loanet, Inc. (on-line accounting service) since 1997; Executive Vice President of Loanet, Inc. from 1994 to 1997; Director, President, North American Operations, and former Executive Vice President from 1992 to 1993 of Worldwide Operations of Metallurg Inc.; Executive Vice President, Telerate, Inc. from 1987 to 1992; Partner in the law firm of Hartman & Craven until 1987	59	Director of The First Israel Fund, Inc.
Interested Trustee					
William W. Priest[2] Steinberg Priest Capital Management 12 East 49th Street 12th Floor New York, New York 10017 Age: 59	Trustee	Since 1999	Senior Partner and Fund Manager, Steinberg Priest Capital Management since March 2001; Chairman and Managing Director of CSAM from 2000 to February 2001, Chief Executive Officer and Managing Director of CSAM from 1990 to 2000	59	Director of The Brazilian Equity Fund, Inc.; The Chile Fund, Inc.; The Emerging Markets Tele-communications Fund, Inc.; The First Israel Fund, Inc.; The Latin American Equity Fund, Inc.; The Indonesia Fund, Inc.; and Credit Suisse Asset Management Income Fund, Inc.

[2] Mr. Priest is a Trustee who is an "interested person" of the Trust as defined in the 1940 Act, because he was an officer of CSAM until February 2001.

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Officer	Other Directorships Held by Officer
Officers					
James P. McCaughan Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 47	Chairman	Since 2000	Chief Executive Officer and Managing Director of CSAM; Associated with CSAM since 2000; President and Chief Operating Officer of Oppenheimer Capital from 1998 to 1999; President and Chief Executive Officer of UBS Asset Management (New York) Inc. from 1996 to 1998; Functional Advisor (Institutional Asset Management) of Union Bank of Switzerland from 1994 to 1996	N/A	N/A
Hal Liebes, Esq. Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 36	Vice President and Secretary	Since 1999	Managing Director and General Counsel of CSAM; Associated with Lehman Brothers, Inc. from 1996 to 1997; Associated with CSAM from 1995 to 1996; Associated with CS First Boston Investment Management from 1994 to 1995; Associated with Division of Enforcement, U.S. Securities and Exchange Commission from 1991 to 1994	N/A	N/A
Michael A. Pignataro Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 42	Treasurer and Chief Financial Officer	Since 1999	Director and Director of Fund Administration of CSAM; Associated with CSAM since 1984	N/A	N/A

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Information Concerning Trustees and Officers (Unaudited) (continued)

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Officer	Other Directorships Held by Officer
Officers—(continued)					
Gregory N. Bressler, Esq. Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 35	Assistant Secretary	Since 2000	Vice President and Legal Counsel of CSAM since January 2000; Associated with the law firm of Swidler Berlin Shereff Friedman LLP from 1996 to 2000	N/A	N/A
Stuart J. Cohen, Esq. Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 32	Assistant Secretary	Since 1997	Vice President and Legal Counsel of CSAM; Associated with CSAM since Credit Suisse acquired the Funds' predecessor adviser in July 1999; with the predecessor adviser since 1997; Associated with the law firm of Gordon Altman Butowsky Weitzen Shalov & Wein from 1995 to 1997	N/A	N/A
Rocco A. DelGuercio Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 38	Assistant Treasurer	Since 1999	Vice President and Administrative Officer of CSAM; Associated with CSAM since June 1996; Assistant Treasurer, Bankers Trust Corp. — Fund Administration from March 1994 to June 1996; Mutual Fund Accounting Supervisor, Dreyfus Corporation from April 1987 to March 1994	N/A	N/A

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Information Concerning Trustees and Officers (Unaudited) (concluded)

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Officer	Other Directorships Held by Officer
Officers—(continued)					
Joseph Parascondola Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3147 Age: 38	Assistant Treasurer	Since 2001	Assistant Vice President — Fund Administration of CSAM since April 2000; Assistant Vice President, Deutsche Asset Management from January 1999 to April 2000; Assistant Vice President, Weiss, Peck & Greer LLC from November 1995 to December 1998	N/A	N/A

The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request, by calling 800-222-8977.

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CREDIT SUISSE FUNDS

CREDIT SUISSE | ASSET MANAGEMENT

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Dreyfus Investment Portfolios, MidCap Stock Portfolio

ANNUAL REPORT

December 31, 2001

YOU, YOUR ADVISOR AND

Dreyfus

A MELLON FINANCIAL COMPANY

The views expressed herein are current to the date of this report. These views and the composition of the portfolio are subject to change at any time based on market and other conditions.

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LETTER FROM THE CHAIRMAN

Dear Shareholder:

We present this annual report for Dreyfus Investment Portfolios, MidCap Stock Portfolio, covering the 12-month period from January 1, 2001 through December 31, 2001. Inside, you'll find valuable information about how the portfolio was managed during the reporting period, including a discussion with the portfolio manager, John O'Toole.

2001 was a difficult year for the U.S. and global economies. It was a year in which one of America's longest periods of economic expansion came to an end, derailed by widespread credit concerns, dramatically lower levels of corporate spending and the September 11 terrorist attacks. It was also a year in which the midcap sector of the U.S. stock market posted negative returns, led lower by persistent declines among technology and telecommunications stocks.

The past year also reminded investors of the importance of some fundamental principles of investing. The merit of a long-term perspective was validated when stocks rallied in the fourth quarter, rewarding those investors who held onto companies with sound business fundamentals and bright prospects. The importance of diversification was underscored by the bond market's strong returns, which helped cushion the equity market's decline for investors who allocated their investments among different asset classes. Perhaps most significant, 2001 affirmed the value of objective advice from an experienced financial advisor who understands your current needs, long-term goals and attitude toward risk.

As challenging as 2001 was, we believe better times are ahead in 2002. Signs of economic recovery have emerged, and the equity markets have recently rallied in response to renewed investor optimism. While we can't guarantee that these encouraging trends will continue, we do believe that the straightest path to financial security in any market environment is one that includes a long-term perspective, broad diversification and professional advice from a trusted advisor.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
January 15, 2002

DISCUSSION OF PERFORMANCE

John O'Toole, Portfolio Manager

How did Dreyfus Investment Portfolios, MidCap Stock Portfolio perform relative to its benchmark?

For the 12-month period ended December 31, 2001, the portfolio's Initial shares produced a –3.26% total return and its Service shares produced a –3.36% total return.[1] In contrast, the Standard & Poor's MidCap 400 Index (the "S&P 400 Index"), the portfolio's benchmark, produced a –0.62% total return for the same period.[2]

For the second year in a row, stocks posted losses in a weak U.S. economy. The portfolio's performance lagged behind that of its benchmark, primarily because of disappointing performance in our stock selection in the first few months of the reporting period.

What is the portfolio's investment approach?

The portfolio invests primarily in a blend of growth and value stocks of mid-capitalization companies chosen through a disciplined process that combines computer modeling techniques, fundamental analysis and risk management.

The quantitatively driven valuation process identifies and ranks approximately 2,500 midcap stocks as attractive, neutral or unattractive investments, based upon more than a dozen different valuation inputs. Those inputs, which we believe can have an important influence on stock returns, include, among other things, earnings estimates, profit margins and growth in cash flow. We establish weightings for each factor based upon our analysis of which factors are being rewarded by investors and make adjustments along the way for the uniqueness of various industries and economic sectors. For example, if the equity markets were rewarding companies with strong growth in cash flow, then we would add more weight to our growth-in-cash-flow factor.

Next, our investment management team conducts fundamental research on each stock, which ultimately results in the buy-and-sell recommendations. We seek to have the portfolio own the best-performing stocks within each economic sector of the midcap market. By maintaining an economic sector neutral stance, we allow individual stock selection to drive the portfolio's performance.

What other factors influenced the portfolio's performance?

The portfolio did not perform as well as the S&P 400 Index during the reporting period primarily because it did not focus enough on "deep value"-oriented stocks — stocks with what we consider to be very low price-to-earnings ratios — during the early part of 2001. As we progressed through the year, investors appeared to take a more balanced approach, and the portfolio's relative performance exhibited modest improvement, but not enough to offset this early deficit.

During the year, our valuation process had a slight orientation towards our value-type factors. Among midcap stocks, investment managers faced the challenges of the overall economy's slowing growth and movement into a recession. Given the benchmark's volatility, our blend of growth and value factors helped us negotiate a steady course through a difficult environment. Among stocks that were particularly successful, we would include technology-based companies such as NVIDIA and Cabot Microelectronics. NVIDIA manufacturers semiconductor chips used to enhance the video and audio of personal computers, while Cabot Microelectronics manufactures a compound used in the manufacture of semiconductors. Both companies provide highly specialized technology products, and we believe both have been highly successful during a turbulent period for technology stocks. A number of the portfolio's holdings among interest-sensitive stocks also benefited the portfolio's performance. Midcap banks such as Dime Bancorp appeared to benefit from the benign interest-rate environment of 2001. The portfolio also benefited from owning Ultramar Diamond Shamrock.

On the other hand, generally speaking the performance of the portfolio's stock selection among technology stocks did not meet our expectations. Some benchmark stocks that the portfolio did not own because they did not appear attractive in our valuation process performed well during the reporting period, bolstering the benchmark's performance. A stock that we owned in the portfolio that had a negative impact upon its performance was NRG Energy. This independent power producer was down in price as the energy shortages of 2000 turned into an energy glut in 2001 based primarily upon a slowing national economy. There also was growing investor concern over the financial structure of these types of companies.

What is the portfolio's current strategy?

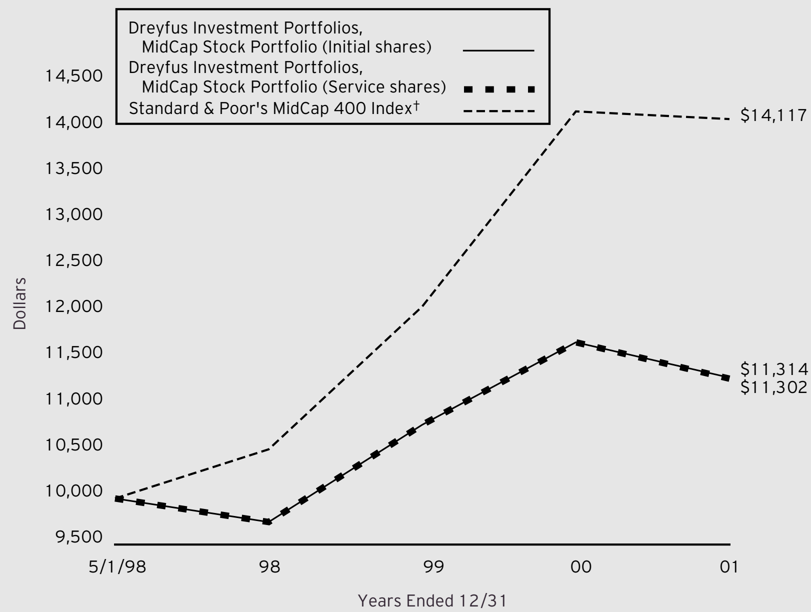
The most successful stocks during 2001 were those with stable and consistent earnings, which are traditional value-oriented investment criteria. Toward the end of the year, however, we began to sense a shift in investor sentiment in anticipation of economic recovery sometime in 2002. As a result, we recently adjusted our quantitative valuation model to place greater emphasis on our growth valuation inputs. In addition, in an attempt to manage risk we continue to allocate assets to the midcap market's various industry groups in close proportion to their representation in the S&P 400 Index. Of course, we are prepared to change our strategy and the portfolio's composition as market conditions evolve.

January 15, 2002

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, portfolio shares may be worth more or less than their original cost. The portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns. Return figures provided reflect the absorption of portfolio expenses by The Dreyfus Corporation pursuant to an agreement in effect through December 31, 2001, at which time it may be extended, terminated or modified. Had these expenses not been absorbed, the portfolio's returns would have been lower.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's MidCap 400 Index is a widely accepted, unmanaged total return index measuring the performance of the midsize company segment of the U.S. market.*

PORTFOLIO PERFORMANCE



Comparison of change in value of $10,000 investment in Dreyfus Investment Portfolios, MidCap Stock Portfolio Initial shares and Service shares and the Standard & Poor's MidCap 400 Index

Average Annual Total Returns *as of 12/31/01*

	Inception Date	1 Year	From Inception
Initial shares	**5/1/98**	**(3.26)%**	**3.42%**
Service shares	**5/1/98**	**(3.36)%**	**3.39%**

The data for Service shares primarily represents the results of Initial shares. Actual Service shares' average annual total return and hypothetical growth results would have been lower. See notes below.

† Source: Lipper Inc.

Past performance is not predictive of future performance.

The portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts which will reduce returns.

The above graph compares a $10,000 investment made in Initial and Service shares of Dreyfus Investment Portfolios, MidCap Stock Portfolio on 5/1/98 (Inception Date of Initial shares) to a $10,000 investment made in the Standard & Poor's MidCap 400 Index (the "Index") on that date.

The portfolio's Initial shares are not subject to a Rule 12b-1 fee. The portfolio's Service shares are subject to a 0.25% annual Rule 12b-1 fee. The performance figures for Service shares reflect the performance of the portfolio's Initial shares *from their inception date through December 30, 2000, and the performance of the portfolio's Service shares from December 31, 2000 (inception date of Service shares) to December 31, 2001 (blended performance figures). The performance figures for each share class reflect certain expense reimbursements, without which, the performance of each share class would have been lower. In addition, the blended performance figures have not been adjusted to reflect the higher operating expenses of the Service shares. If these expenses had been reflected, the blended performance figures would have been lower. All dividends and capital gain distributions are reinvested.*

The portfolio's performance shown in the line graph takes into account all applicable portfolio fees and expenses (after any expense reimbursements). The Index is a widely accepted, unmanaged total return index measuring the performance of the midsize company segment of the U.S. stock market and does not take into account charges, fees and other expenses. Further information relating to portfolio performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the Prospectus and elsewhere in this report.

STATEMENT OF INVESTMENTS

December 31, 2001

Common Stocks—96.1%	Shares		Value ($)
Alcohol & Tobacco—.7%			
R.J. Reynolds Tobacco Holdings	25,300		**1,424,390**
Consumer Cyclical—8.5%			
American Axle & Manufacturing Holdings	34,450	a	736,541
American Eagle Outfitters	35,050	a	917,258
BJ's Wholesale Club	30,500	a	1,345,050
Bob Evans Farms	33,800		830,466
Borders Group	49,250	a	977,120
Brinker International	52,850	a	1,572,816
Furniture Brands International	22,800	a	730,056
International Speedway, Cl. A	20,800		813,280
Jones Apparel Group	25,400	a	842,518
Lear	31,200	a	1,189,968
Magna International, Cl. A	11,600		736,252
Mandalay Resort Group	40,800	a	873,120
Mohawk Industries	25,850	a	1,418,648
Neiman Marcus Group, Cl. A	19,700	a	612,079
Ross Stores	25,650		822,852
Williams-Sonoma	40,500	a	1,737,450
			16,155,474
Consumer Staples—3.4%			
Alberto-Culver, Cl. B	15,900		711,366
Church & Dwight	20,800		553,904
Corn Products International	20,800		733,200
Dean Foods	3,711	a	253,080
Dole Food	31,800		853,194
McCormick & Co.	25,750		1,080,727
Smithfield Foods	44,300	a	976,372
Tyson Foods, Cl. A	117,600		1,358,280
			6,520,123
Energy Related—8.3%			
AGL Resources	33,600		773,472
Alliant Energy	35,550		1,079,298
BJ Services	63,800	a	2,070,310
Black Hills	23,300		788,472
ENSCO International	59,400		1,476,090
Energen	23,300		574,345
Equitable Resources	29,600		1,008,472

Common Stocks (continued)	Shares		Value ($)
Energy Related (continued)			
Helmerich & Payne	17,300		577,474
MDU Resources Group	17,300		486,995
Murphy Oil	14,850		1,247,994
Noble Affiliates	9,800		345,842
Pride International	40,500	a	611,550
Questar	44,300		1,109,715
Tidewater	38,150		1,293,285
Ultramar Diamond Shamrock	25,800	b	1,276,584
UtiliCorp United	44,300		1,115,031
			15,834,929
Health Care—12.9%			
Apogent Technologies	52,850	a	1,363,530
Barr Laboratories	13,400	a	1,063,424
Beckman Coulter	20,800		921,440
Cytyc	18,350	a	478,935
Diagnostic Products	13,000		571,350
Edwards Lifesciences	33,200	a	917,316
Express Scripts	25,750	a	1,204,070
Genzyme-General Division	9,900	a	592,614
Gilead Sciences	16,500	a	1,084,380
Health Net	57,800	a	1,258,884
Hillenbrand Industries	15,900		878,793
IDEC Pharmaceuticals	44,300	a	3,053,599
IVAX	32,450	a	653,543
Millennium Pharmaceuticals	37,550	a	920,351
Mylan Laboratories	32,150		1,205,625
Oxford Health Plans	52,850	a	1,592,899
PacifiCare Health Systems	34,900	a	558,400
Protein Design Labs	34,450	a	1,134,439
Quest Diagnostics	15,750	a	1,129,433
STERIS	27,200	a	496,944
Schein(Henry)	25,000	a	925,750
Sepracor	8,350	a	476,451
Sunrise Assisted Living	23,200	a	675,352
Trigon Healthcare	20,800	a	1,444,560
			24,602,082

Common Stocks (continued)	Shares		Value ($)
Interest Sensitive—19.7%			
AmeriCredit	25,650	[a]	809,257
Associated Banc-Corp	41,850		1,476,886
Astoria Financial	46,600		1,233,036
Banknorth Group	56,700		1,276,884
City National	34,200		1,602,270
Compass Bancshares	68,850		1,948,455
Dime Bancorp (Warrants)	19,900	[a]	2,985
Doral Financial	15,700		489,997
Dun & Bradstreet	36,500	[a]	1,288,450
Eaton Vance	16,100		572,355
Everest Re Group	20,700		1,463,490
Federated Investors, Cl. B	32,150		1,024,942
First Tennessee National	47,950		1,738,667
FirstMerit	44,300		1,200,087
Gallagher (Arthur J.) & Co.	32,350		1,115,751
Golden State Bancorp	44,300		1,158,445
GreenPoint Financial	40,500		1,447,875
LaBranche & Co.	26,200	[a]	902,852
M&T Bank	7,700		560,945
Marshall & Ilsley	29,250		1,850,940
Mercantile Bankshares	13,600		585,344
Metris Cos.	48,100		1,236,651
Nationwide Financial Services, Cl. A	25,300		1,048,938
North Fork Bancorporation	55,350		1,770,647
Old Republic International	50,200		1,406,102
PMI Group	22,250		1,490,973
Radian Group	37,000		1,589,150
SEI Investments	28,700		1,294,657
Sovereign Bancorp	104,700		1,281,528
StanCorp Financial Group	18,900		893,025
TCF Financial	24,650		1,182,707
Waddell & Reed Financial, Cl. A	20,900		672,980
			37,617,271
Internet Related—1.1%			
Check Point Software Technologies	17,900	[a]	714,031
E*TRADE Group	66,300	[a]	679,575

Common Stocks (continued)	Shares		Value ($)
Internet Related (continued)			
Retek	27,200	a	812,464
			2,206,070
Producer Goods—10.2%			
Airgas	69,500	a	1,050,840
Alexander & Baldwin	27,200		726,240
American Standard Cos.	17,200	a	1,173,556
Ashland	15,900		732,672
Beazer Homes USA	7,300	a	534,141
Bemis	17,300		850,814
C&D Technologies	26,000		594,100
CONSOL Energy	28,250		701,730
Cabot	27,100		967,470
D. R. Horton	27,200		882,912
GATX	17,750		577,230
Harsco	24,650		845,495
Kennametal	12,700		511,429
Lennar	28,250		1,322,665
M.D.C. Holdings	15,670		592,169
Minerals Technologies	15,050		701,932
Precision Castparts	27,200		768,400
Rockwell International	46,400		828,704
Scotts, Cl. A	18,500	a	880,600
Sonoco Products	52,850		1,404,753
Teekay Shipping	15,900		554,115
Teleflex	19,700		932,007
York International	35,400		1,349,802
			19,483,776
Services—10.3%			
Affiliated Computer Services, Cl. A	20,400	a	2,165,052
Apollo Group, Cl. A	39,350	a	1,771,143
Belo, Cl. A	44,300		830,625
CSG Systems International	25,300	a	1,023,385
DST Systems	26,400	a	1,316,040
Education Management	16,200	a	587,250
Entercom Communications	10,400	a	520,000
Hanover Compressor	30,600	a	772,956

Common Stocks (continued)	Shares		Value ($)
Services (continued)			
Henry (Jack) & Associates	32,150		702,156
Pharmaceutical Product Development	17,300	a	558,963
Republic Services	48,400	a	966,548
Scholastic	18,400	a	926,072
SunGard Data Systems	87,300	a	2,525,589
Telephone and Data Systems	9,400		843,650
United Rentals	29,600	a	671,920
Valassis Communications	24,650	a	878,033
Washington Post, Cl. B	2,350		1,245,500
Westwood One	43,100	a	1,295,155
			19,600,037
Technology—16.5%			
ADTRAN	26,700	a	681,384
Advanced Fibre Communications	45,300	a	800,451
Advent Software	20,400	a	1,018,980
Arrow Electronics	19,600	a	586,040
Black Box	13,400	a	708,592
Cabot Microelectronics	19,700	a	1,561,225
Cadence Design Systems	68,850	a	1,509,192
Diebold	22,700		917,988
Electro Scientific Industries	17,300	a	519,173
Electronic Arts	39,350	a	2,359,032
FEI	19,700	a	620,747
Harris	20,750		633,082
IKON Office Solutions	37,400		437,206
InFocus	37,400	a	823,548
International Rectifier	16,000	a	558,080
Intersil, Cl. A	23,100	a	744,975
L-3 Communications Holdings	13,400	a	1,206,000
Mentor Graphics	50,400	a	1,187,928
Microchip Technology	44,300	a	1,716,182

Common Stocks (continued)	Shares		Value ($)
Technology (continued)			
Microsemi	12,350	a	366,795
NVIDIA	19,200	a	1,284,480
Plantronics	20,500	a	525,620
QLogic	13,400	a	596,434
RF Micro Devices	29,400	a	565,362
Reynolds & Reynolds, Cl. A	47,950		1,162,788
SPX	12,550	a	1,718,095
Semtech	33,200	a	1,184,908
Storage Technology	46,400	a	959,088
Sybase	49,250	a	776,180
Symantec	21,250	a	1,409,513
THQ	12,350	a	598,605
TriQuint Semiconductor	54,200	a	664,492
Vishay Intertechnology	55,350	a	1,079,325
			31,481,490
Utilities—4.5%			
Cleco	39,350		864,519
Conectiv	38,150		934,293
IDACORP	30,600		1,242,360
Metro One Telecommunications	21,550	a	651,888
PNM Resources	28,250		789,588
Pinnacle West Capital	12,350		516,848
SCANA	44,300		1,232,869
TECO Energy	29,600		776,704
Western Resources	25,700		442,040
Wisconsin Energy	46,800		1,055,808
			8,506,917
Total Common Stocks (cost $172,740,723)			**183,432,559**

Short-Term Investments—3.6%	Principal Amount ($)	Value ($)
Repurchase Agreement;		
Greenwich Capital Markets, Tri-Party Repurchase Agreement, 1.65%, dated 12/31/2001, due 1/2/2002, in the amount of $6,800,623 (fully collateralized by $6,955,000 Federal Farm Credit Banks Discount Notes, 2/14/2002, value $6,940,395) (cost $6,800,000)	6,800,000	**6,800,000**
Total Investments (cost $179,540,723)	**99.7%**	**190,232,559**
Cash and Receivables (Net)	**.3%**	**559,780**
Net Assets	**100.0%**	**190,792,339**

[a] *Non-income producing.*

[b] *This security is on loan. At December 31, 2001, the total market value of the portfolio's security on loan is $1,276,584 and the total market value of the collateral held by the portfolio is $1,315,800.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2001

	Cost	Value
Assets ($):		
Investments in securities— See Statement of Investments—Note 1(b)	179,540,723	190,232,559
Cash		786,880
Collateral for securities loaned—Note 1(b)		1,315,800
Dividends and interest receivable		89,007
Prepaid expenses		72,038
		192,496,284
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates		123,933
Liability for securities loaned—Note 1(b)		1,315,800
Payable for shares of Beneficial Interest redeemed		115,837
Payable for investment securities purchased		87,403
Accrued expenses		60,972
		1,703,945
Net Assets ($)		**190,792,339**
Composition of Net Assets ($):		
Paid-in capital		189,697,210
Accumulated undistributed investment income—net		3,241
Accumulated net realized gain (loss) on investments		(9,599,948)
Accumulated net unrealized appreciation (depreciation) on investments		10,691,836
Net Assets ($)		**190,792,339**

Net Asset Value Per Share	Initial Shares	Service Shares
Net Assets ($)	181,027,918	9,764,421
Shares Outstanding	13,118,330	708,365
Net Asset Value Per Share ($)	**13.80**	**13.78**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2001

Investment Income ($):	
Income:	
Cash dividends	1,172,696
Interest	229,239
Total Income	**1,401,935**
Expenses:	
Investment advisory fee—Note 3(a)	931,142
Prospectus and shareholders' reports	53,068
Professional fees	50,492
Custodian fees—Note 3(b)	34,530
Registration fees	27,349
Distribution fees—Note 3(b)	9,223
Shareholder servicing costs—Note 3(b)	1,236
Trustees' fees and expenses—Note 3(c)	645
Miscellaneous	6,038
Total Expenses	**1,113,723**
Less—waiver of fees due to undertaking—Note 3(a)	(6,252)
Net Expenses	**1,107,471**
Investment Income—Net	**294,464**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	(9,119,810)
Net unrealized appreciation (depreciation) on investments	8,706,299
Net Realized and Unrealized Gain (Loss) on Investments	**(413,511)**
Net (Decrease) in Net Assets Resulting from Operations	**(119,047)**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2001	2000[a]
Operations ($):		
Investment income—net	294,464	133,868
Net realized gain (loss) on investments	(9,119,810)	940,784
Net unrealized appreciation (depreciation) on investments	8,706,299	90,204
Net Increase (Decrease) in Net Assets Resulting from Operations	**(119,047)**	**1,164,856**
Dividends to Shareholders ($):		
From investment income—net:		
Initial shares	(291,394)	(126,162)
Service shares	(11,519)	–
From net realized gain on investments:		
Initial shares	–	(659,279)
In excess of net realized gain on investments:		
Initial shares	–	(482,633)
Total Dividends	**(302,913)**	**(1,268,074)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial shares	116,445,355	70,330,857
Service shares	11,203,275	500
Dividends reinvested:		
Initial shares	291,394	1,268,074
Service shares	11,519	–
Cost of shares redeemed:		
Initial shares	(11,777,128)	(10,274,545)
Service shares	(1,744,659)	–
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**114,429,756**	**61,324,886**
Total Increase (Decrease) in Net Assets	**114,007,796**	**61,221,668**
Net Assets ($):		
Beginning of Period	76,784,543	15,562,875
End of Period	**190,792,339**	**76,784,543**
Undistributed investment income—net	3,241	8,006

	Year Ended December 31,	
	2001	2000[a]
Capital Share Transactions:		
Initial Shares		
Shares sold	8,633,138	4,850,323
Shares issued for dividends reinvested	21,652	95,332
Shares redeemed	(910,014)	(729,677)
Net Increase (Decrease) in Shares Outstanding	**7,744,776**	**4,215,978**
Service Shares		
Shares sold	842,364	35
Shares issued for dividends reinvested	856	–
Shares redeemed	(134,890)	–
Net Increase (Decrease) in Shares Outstanding	**708,330**	**35**

[a] *Effective December 31, 2000, shares of the portfolio were redesignated as Initial shares and the portfolio commenced selling Service shares.*

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single portfolio share. Total return shows how much your investment in the portfolio would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the portfolio's financial statements.

	Year Ended December 31,			
Initial Shares	2001	2000	1999	1998[a]
Per Share Data ($):				
Net asset value, beginning of period	14.29	13.44	12.16	12.50
Investment Operations:				
Investment income—net	.03[b]	.05[b]	.03[b]	.02
Net realized and unrealized gain (loss) on investments	(.50)	1.05	1.28	(.34)
Total from Investment Operations	(.47)	1.10	1.31	(.32)
Distributions:				
Dividends from investment income—net	(.02)	(.03)	(.03)	(.02)
Dividends from net realized gain on investments	–	(.13)	–	–
Dividends in excess of net realized gain on investments	–	(.09)	–	–
Total Distributions	(.02)	(.25)	(.03)	(.02)
Net asset value, end of period	13.80	14.29	13.44	12.16
Total Return (%)	(3.26)	8.28	10.82	(2.53)[c]
Ratios/Supplemental Data (%):				
Ratio of expenses to average net assets	.89	.98	.97	.67[c]
Ratio of net investment income to average net assets	.24	.34	.26	.18[c]
Decrease reflected in above expense ratios due to undertakings by The Dreyfus Corporation	–	.06	.49	.60[c]
Portfolio Turnover Rate	76.37	102.89	77.73	75.74[c]
Net Assets, end of period ($ x 1,000)	181,028	76,784	15,563	10,506

[a] *From May 1, 1998 (commencement of operations) to December 31, 1998.*
[b] *Based on average shares outstanding at each month end.*
[c] *Not annualized.*
See notes to financial statements.

Service Shares	Year Ended December 31, 2001	2000[a]
Per Share Data ($):		
Net asset value, beginning of period	14.29	14.29
Investment Operations:		
Investment income—net	.01[b]	–
Net realized and unrealized gain (loss) on investments	(.50)	–
Total from Investment Operations	(.49)	–
Distributions:		
Dividends from investment income—net	(.02)	–
Net asset value, end of period	13.78	14.29
Total Return (%)	(3.36)	–
Ratios/Supplemental Data (%):		
Ratio of expenses to average net assets	1.00	–
Ratio of net investment income to average net assets	.07	–
Decrease reflected in above expense ratios due to undertaking by The Dreyfus Corporation	.17	
Portfolio Turnover Rate	76.37	102.89
Net Assets, end of period ($ x 1,000)	9,764	1

[a] *The portfolio commenced offering Service shares on December 31, 2000.*
[b] *Based on average shares outstanding at each month end.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Investment Portfolios (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company, operating as a series company currently offering twelve series, including the MidCap Stock Portfolio (the "portfolio"). The portfolio is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The portfolio is a diversified series. The portfolio's investment objective is to provide investment results that are greater than the total return performance of publicly-traded common stocks of medium-size domestic companies in the aggregate, as represented by the Standard & Poor's MidCap 400 Index. The Dreyfus Corporation ("Dreyfus") serves as the portfolio's investment adviser. Dreyfus is a direct subsidiary of Mellon Bank, N.A. ("Mellon"), which is a wholly-owned subsidiary of Mellon Financial Corporation.

Dreyfus Service Corporation (the "Distributor"), a wholly-owned subsidiary of Dreyfus, is the distributor of the portfolio's shares, which are sold without a sales charge. The portfolio is authorized to issue an unlimited number of $.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the distribution plan and the expenses borne by each class and certain voting rights.

The fund accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The portfolio's financial statements are prepared in accordance with accounting principles generally accepted in the United States, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

(a) Portfolio valuation: Investments in securities (including options and financial futures) are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Securities for which there are no such valuations are valued at fair value as determined in good faith under the direction of the Board of Trustees.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, amortization of discount and premium on investments, is recognized on the accrual basis. Under the terms of the custody agreement, the portfolio received net earnings credits of $667 during the period ended December 31, 2001 based on available cash balances left on deposit. Income earned under this arrangement is included in interest income.

The portfolio may enter into repurchase agreements with financial institutions, deemed to be creditworthy by Dreyfus, subject to the seller's agreement to repurchase and the portfolio's agreement to resell such securities at a mutually agreed upon price. Securities purchased subject to repurchase agreements are deposited with the portfolio's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate market value greater than or equal to the repurchase price plus accrued interest at all times. If the value of the underlying securities falls below the value of the repurchase price plus accrued interest, the portfolio will require the seller to deposit additional collateral by the next business day. If the request for additional collateral is not met, or the seller defaults on its repurchase obligation, the portfolio maintains the right to sell the underlying securities at market value and may claim any resulting loss against the seller.

The portfolio may lend securities to qualified institutions. At origination, all loans are secured by cash collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan will be maintained at all times. Cash collateral is invested in certain other money market mutual funds managed by

Dreyfus. The portfolio will be entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Such income earned is included in interest income. Although each security loaned is fully collateralized, the portfolio would bear the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner.

(c) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain are normally declared and paid annually, but the portfolio may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the portfolio not to distribute such gain.

(d) Federal income taxes: It is the policy of the portfolio to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all Federal income and excise taxes.

At December 31, 2001, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $3,241, accumulated capital losses $7,978,482 and unrealized appreciation $10,025,634. In addition, the portfolio had $955,264 of capital losses realized after October 31, 2001 which were deferred for tax purposes to the first day of the following year.

The accumulated capital loss is available to be applied against future net securities profits, if any, realized subsequent to December 31, 2001. If not applied, $7,978,482 of the carryover expires in fiscal 2009.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2001 and December 31, 2000, respectively, were as follows: ordinary income $302,913 and $126,162 and long-term capital gains $0 and $1,141,912.

During the period ended December 31, 2001, as a result of permanent book to tax differences, the portfolio increased accumulated undistributed investment income-net by $3,684, increased accumulated net realized gain (loss) on investments by $2,495 and decreased paid-in capital by $6,179. Net assets were not affected by this reclassification.

NOTE 2—Bank Line of Credit:

The portfolio participates with other Dreyfus-managed funds in a $100 million unsecured line of credit primarily to be utilized for temporary or emergency purposes, including the financing of redemptions. Interest is charged to the portfolio based on prevailing market rates in effect at the time of borrowings. During the period ended December 31, 2001, the portfolio did not borrow under the line of credit.

NOTE 3—Investment Advisory Fee and Other Transactions With Affiliates:

(a) Pursuant to an Investment Advisory Agreement with Dreyfus, the investment advisory fee is computed at the annual rate of .75 of 1% of the value of the portfolio's average daily net assets and is payable monthly.

Dreyfus has agreed from January 1, 2001 to December 31, 2002, to waive receipt of its fees and/or assume the expenses of the portfolio so that the expenses of neither class, exclusive of taxes, brokerage fees, interest on borrowings and extraordinary expenses, exceed 1% of the value of the average daily net assets of their class. During the period ended December 31, 2001, Dreyfus waived receipt of fees of $6,252, pursuant to the undertaking.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25 of 1% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2001, Service shares were charged $9,223 pursuant to the Plan.

The portfolio compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the portfolio. During the period ended December 31, 2001, the portfolio was charged $255 pursuant to the transfer agency agreement.

The portfolio compensates Mellon under a custody agreement for providing custodial services for the portfolio. During the period ended December 31, 2001, the portfolio was charged $34,530 pursuant to the custody agreement.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex (collectively, the "Fund Group"). Each Board member who is not an "affiliated person" as defined in the Act receives an annual fee of $25,000 and an attendance fee of $4,000 for each in person meeting and $500 for telephone meetings. These fees are allocated among the funds in the Fund Group. The Chairman of the Board receives an additional 25% of such compensation. Subject to the fund's Emeritus Program Guidelines, Emeritus Board members, if any, receive 50% of the annual retainer fee and per meeting fee paid at the time the Board member achieves emeritus status.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended December 31, 2001, amounted to $202,740,330 and $91,944,510, respectively.

At December 31, 2001, accumulated net unrealized appreciation on investments was $10,691,836, consisting of $17,820,928 gross unrealized appreciation and $7,129,092 gross unrealized depreciation.

At December 31, 2001, the cost of investments for Federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Trustees
Dreyfus Investment Portfolios, MidCap Stock Portfolio

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Dreyfus Investment Portfolios, MidCap Stock Portfolio (one of the funds comprising Dreyfus Investment Portfolios) as of December 31, 2001, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included verification by examination of securities held by the custodian as of December 31, 2001 and confirmation of securities not held by the custodian by correspondence with others. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Investment Portfolios, MidCap Stock Portfolio at December 31, 2001, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated periods, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

New York, New York
February 8, 2002

IMPORTANT TAX INFORMATION (Unaudited)

For Federal tax purposes, the portfolio hereby designates 100% of the ordinary dividends paid during the fiscal year ended December 31, 2001 as qualifying for the corporate dividends received deduction.

BOARD MEMBERS INFORMATION (Unaudited)

Name (age) Position, (held since)	Principal Occupation During Past 5 Years	Other Directorships And Affiliations	No. of Portfolios for which Board Member Serves
Joseph S. DiMartino (58) Chairman of the Board (1998)	• Chairman of the Board of various funds in the Dreyfus Family of Funds	• The Muscular Dystrophy Association • Plan Vista Corporation (formerly HealthPlan Services Corporation), a provider of marketing, administrative and risk management services to health and other benefit programs • Carlyle Industries, Inc., button packager and distributor • Century Business Services, Inc., a provider of various outsourcing functions for small and medium size companies • The Newark Group, a privately held company providing a national network of paper recovery facilities, paperboard mills and paperboard converting plants • QuikCAT.com, Inc., a private company engaged in the development of high speed movement, routing, storage and encryption of data across all modes of data transport	190
Clifford L. Alexander (68) Board Member (1998)	• President of Alexander & Associates, Inc., a management consulting firm • Chairman of the Board of Moody's Corporation (October 2000-Present) • Chairman of the Board and Chief Executive Officer of The Dun and Bradstreet Corporation (October 1999-September 2000)	• American Home Products Corporation • IMS Health, a service provider of marketing information and information technology • WorldCOM • Mutual of America Life Insurance Company	49
Lucy Wilson Benson (74) Board Member (1998)	• President of Benson and Associates, consultants to business and government • Vice Chairman of the Citizens Network for Foreign Affairs • Vice Chairman of The Atlantic Council of the U.S.	• COMSAT Corporation, a telecommunications company • Alfred P. Sloan Foundation • Lafayette College • A member of the council of foreign relations	35

Once elected, all Board Members serve for an indefinite term. Additional information about the Board Members, including their address is available in the Fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-554-4611.

OFFICERS OF THE FUND (Unaudited)

STEPHEN E. CANTER, President since March 2000.

Chairman of the Board, Chief Operating Officer and Chief Investment Officer of Dreyfus and an officer of 92 investment companies (comprised of 183 portfolios) managed by Dreyfus. Mr. Canter also is a Director and Executive Committee Member of the other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of Dreyfus. He is 56 years old, and has been an employee of Dreyfus since May 1995.

MARK N. JACOBS, Vice President since March 2000.

Executive Vice President, Secretary, and General Counsel of Dreyfus, and an officer of 93 investment companies (comprised of 196 portfolios) managed by Dreyfus. He is 55 years old and has been an employee of Dreyfus since June 1977.

STEVEN F. NEWMAN, Secretary since March 2000.

Assistant Secretary and Associate General Counsel of Dreyfus, and an officer of 93 investment companies (comprised of 196 portfolios) managed by Dreyfus. He is 52 years old, and has been an employee of Dreyfus since July 1980.

JEFF PRUSNOFSKY, Assistant Secretary since March 2000.

Associate General Counsel of Dreyfus, and an officer of 10 investment companies (comprised of 60 portfolios) managed by Dreyfus. He is 36 years old, and has been an employee of Dreyfus since January 1986.

MICHAEL A. ROSENBERG, Assistant Secretary since March 2000.

Associate General Counsel of Dreyfus, and an officer of 93 investment companies (comprised of 196 portfolios) managed by Dreyfus. He is 42 years old, and has been an employee of Dreyfus since October 1991.

JAMES WINDELS, Treasurer since November 2001.

Director of Mutual Fund Treasury Accounting of Dreyfus, and an officer of 93 investment companies (comprised of 196 portfolios) managed by Dreyfus. He is 43 years old, and has been an employee of Dreyfus since April 1985.

WILLIAM MCDOWELL, Assistant Treasurer since March 2000.

Senior Accounting Manager – Taxable Fixed Income of Dreyfus, and an officer of 18 investment companies (comprised of 73 portfolios) managed by Dreyfus. He is 43 years old, and has been an employee of Dreyfus since March 1981.

KENNETH J. SANDGREN, Assistant Treasurer since November 2001.

Mutual Funds Tax Director of Dreyfus, and an officer of 93 investment companies (comprised of 196 portfolios) managed by Dreyfus. He is 47 years old, and has been an employee of Dreyfus since June 1993.

For More Information

To obtain information:

By telephone
Call
1-800-554-4611 or
516-338-3300

By mail Write to:
The Dreyfus Family of Funds
144 Glenn Curtiss Boulevard
Uniondale, NY 11556-0144
Attn: Institutional Servicing

**Dreyfus
Investment Portfolios,
MidCap Stock Portfolio**
200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, PA 15258

**Transfer Agent &
Dividend Disbursing Agent**

Dreyfus Transfer, Inc.
P.O. Box 9263
Boston, MA 02205-8501

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

174AR1201

The Dreyfus Socially Responsible Growth Fund, Inc.

ANNUAL REPORT

December 31, 2001

YOU, YOUR ADVISOR AND

Dreyfus

A MELLON FINANCIAL COMPANY

Contents

THE FUND

FOR MORE INFORMATION

LETTER FROM THE CHAIRMAN

Dear Shareholder:

We present this annual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the 12-month period from January 1, 2001 through December 31, 2001. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with the fund's portfolio managers, Lincoln Carnam, Maceo Sloan and Larry Jones.

2001 was a difficult year for the U.S. and global economies. It was a year in which one of America's longest periods of economic expansion came to an end, derailed by widespread credit concerns, dramatically lower levels of corporate spending and the September 11 terrorist attacks. It was also a year in which the large-cap sector of the U.S. stock market posted its second consecutive year of negative returns, led lower by persistent declines among technology and telecommunications stocks.

The past year also reminded investors of the importance of some fundamental principles of investing. The merit of a long-term perspective was validated when stocks rallied in the fourth quarter, rewarding those investors who held onto companies with sound business fundamentals and bright prospects. The importance of diversification was underscored by the bond market's strong returns, which helped cushion the equity market's decline for investors who allocated their investments among different asset classes. Perhaps most significant, 2001 affirmed the value of objective advice from an experienced financial advisor who understands your current needs, long-term goals and attitude toward risk.

As challenging as 2001 was, we believe better times are ahead in 2002. Signs of economic recovery have emerged, and the equity markets have recently rallied in response to renewed investor optimism. While we can't guarantee that these encouraging trends will continue, we do believe that the straightest path to financial security in any market environment is one that includes a long-term perspective, broad diversification and professional advice from a trusted advisor.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
January 15, 2002

DISCUSSION OF FUND PERFORMANCE

Lincoln Carnam, Maceo Sloan and Larry Jones,
Portfolio Managers

How did The Dreyfus Socially Responsible Growth Fund, Inc. perform relative to its benchmark?

For the 12-month period ended December 31, 2001, the fund produced a total return of –22.57% for its Initial shares and –22.85% for its Service shares.[1] In contrast, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a –11.88% total return for the same period.[2]

We attribute the fund's negative returns to three key growth-oriented areas that suffered greatly during the reporting period: technology, telecommunications and independent power producer stocks within the utilities area. We attribute the fund's relative performance to our emphasis on large-cap, growth-oriented stocks during a period in which value stocks generally performed best.

What is the fund's investment approach?

The fund seeks to provide capital growth with current income as a secondary objective. The fund looks for growth-oriented companies that generally exhibit three characteristics: improving profitability measurements, a pattern of consistent earnings and reasonable prices. To pursue these goals, the fund invests primarily in the common stock of companies that, in the opinion of the fund's management, meet traditional investment standards while simultaneously conducting their businesses in a manner that contributes to the enhancement of the quality of life in America.

What factors influenced the fund's performance?

When the reporting period began, more than one quarter of the fund's assets was invested in technology and telecommunications stocks. Many of these stocks fell sharply in the first calendar quarter of the year, largely because of excess inventory levels and idle factory capacity amid low customer demand. However, we did not trim the fund's exposure to these areas. Instead, we chose to wait until they rallied. Such a rally occurred in May and June 2001, and we reduced the fund's technology and telecommunications exposure when stock prices were more favorable. In hindsight, however, we may have waited too long. Declines in these industry groups resulted in returns for the fund that lagged that of the S&P 500 Index for the entire reporting period.

We believe that it is especially important during difficult stock market environments to concentrate on stocks that have a record of consistent earnings, are reasonably priced and hold dominant positions in their industries. We found many of these characteristics in health care and financial services stocks during 2001. Health care stocks provided some of the fund's highest returns of the reporting period, especially for some of its large pharmaceutical companies with new drugs slated for release in 2002 and 2003. Many of the fund's financial stocks benefited from lower interest rates and increased demand for mortgage loans and refinancing.

What is the fund's current strategy?

While we believe the September 11 terrorist attacks may have pushed economic recovery back several calendar quarters, we were encouraged by the resilience of the stock market during the weeks after the attacks. In fact, many stocks rebounded during the last two months of the year, reporting strong gains. We view this as a very positive trend and are currently positioning the fund to benefit from an economic recovery. Specifically, we are emphasizing stocks in the financial services and consumer discretionary areas. As the volume of stock market trading continues to rise following the attacks, we believe that stock prices of many of the fund's large brokerage and asset management companies should improve. In addition, we believe lower interest rates could help trigger discounted, after-holiday sales for a wide variety of retailers, including electronic products such as high-definition and large-screen televisions, video games and palm-size electronic devices.

Can you give us an update on the fund's socially responsible investing activities?

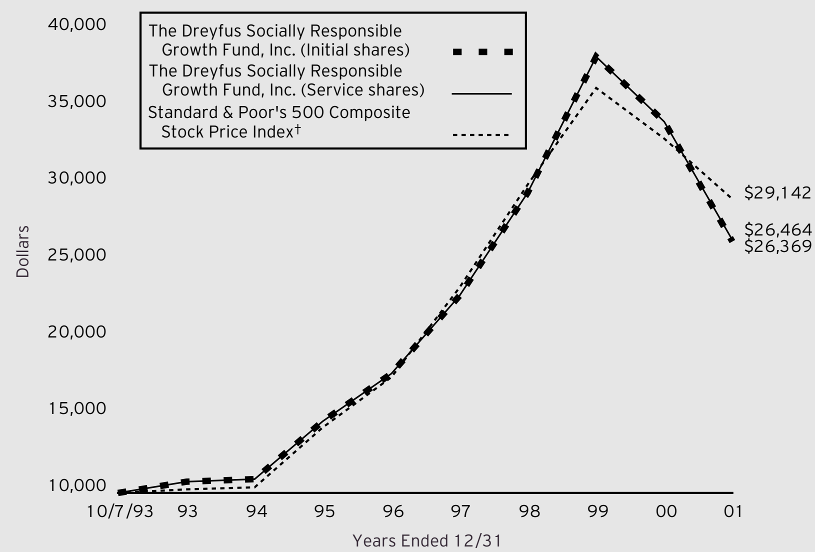
Over the past year, we have continued to follow up with Coca-Cola in an effort to improve the amount of polyethlene terepthalate (PET) in its plastic soft drink containers. We are pleased to report that Coca-Cola has increased the percentage of plastic containers it produces that contain recycled PET from 25% to 80%. These containers consist of 10% recycled material, and by 2005 Coca-Cola is looking to have all of the plastic containers it produces to consist of 10% recycled material. Coca-Cola is the first soft-drink company to make such an effort across its complete product line and we will continue to follow up with Coca-Cola in the hopes of working toward eventually increasing the percentage of recycled material used in the containers that it produces.

January 15, 2002

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance.*

FUND PERFORMANCE



Comparison of change in value of $10,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. Initial shares and Service shares and the Standard and Poor's 500 Composite Stock Price Index

Average Annual Total Returns *as of 12/31/01*

	Inception Date	1 Year	5 Years	From Inception
Initial shares	**10/7/93**	**(22.57)%**	**8.29%**	**12.54%**
Service shares	**10/7/93**	**(22.85)%**	**8.21%**	**12.49%**

The data for Service shares primarily represents the results of Initial shares. Actual Service shares' average annual total return and hypothetical growth results would have been lower. See notes below.

† Source: Lipper Inc.

Past performance is not predictive of future performance.

The portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts which will reduce returns.

The above graph compares a $10,000 investment made in Initial and Service shares of The Dreyfus Socially Responsible Growth Fund, Inc. on 10/7/93 (Inception Date of Initial shares) to a $10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index (the "Index") on that date. For comparative purposes, the value of the Index on 9/30/93 is used as the beginning value on 10/7/93.

The portfolio's Initial shares are not subject to a Rule 12b-1 fee. The portfolio's Service shares are subject to a 0.25% annual Rule 12b-1 fee. The performance figures for Service shares reflect the performance of the portfolio's Initial *shares from their inception date through December 30, 2000, and the performance of the portfolio's Service shares from December 31, 2000 (inception date of Service shares) to December 31, 2001 (blended performance figures). The blended performance figures have not been adjusted to reflect the higher operating expenses of the Service shares. If these expenses had been reflected, the blended performance figures would have been lower. All dividends and capital gain distributions are reinvested.*

The portfolio's performance shown in the line graph takes into account all applicable portfolio fees and expenses. The Index is a widely accepted, unmanaged index of U.S. stock market performance, which does not take into account charges, fees and other expenses. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the Prospectus and elsewhere in this report.

STATEMENT OF INVESTMENTS

December 31, 2001

Common Stocks—98.6%	Shares		Value ($)
Consumer Non-Durables—9.8%			
Avon Products	201,000		9,346,500
Coca-Cola	409,800		19,322,070
Colgate-Palmolive	326,000		18,826,500
PepsiCo	163,000		7,936,470
Procter & Gamble	221,000		17,487,730
Reebok International	165,000	a	4,372,500
			77,291,770
Consumer Services—3.1%			
Clear Channel Communications	268,000	a	13,643,880
Comcast, Cl. A	9,800	a	352,800
Comcast, Cl. A (Special)	295,200	a	10,627,200
			24,623,880
Electronic Technology—24.7%			
Altera	166,000	a	3,522,520
Applied Materials	210,000	a	8,421,000
Cisco Systems	1,338,600	a	24,242,046
Dell Computer	298,000	a	8,099,640
Intel	980,800		30,846,160
International Business Machines	275,000		33,264,000
Juniper Networks	254,000	a	4,813,300
Linear Technology	260,600		10,173,824
National Semiconductor	612,000	a	18,843,480
Nokia, ADR	495,600		12,157,068
QUALCOMM	140,000	a	7,070,000
Sun Microsystems	815,600	a	10,064,504
Tellabs	513,000	a	7,710,390
Texas Instruments	546,000		15,288,000
			194,515,932
Energy Minerals—2.0%			
Royal Dutch Petroleum (New York Shares), ADR	316,000		**15,490,320**
Finance—21.6%			
American International Group	340,375		27,025,775
Bank of America	320,000		20,144,000
Citigroup	428,600		21,635,728
Fannie Mae	290,200		23,070,900
MGIC Investment	232,000		14,319,040

Common Stocks (continued)	Shares		Value ($)
Finance (continued)			
Marsh & McLennan Cos.	110,000		11,819,500
Merrill Lynch	155,000		8,078,600
Prudential Financial	300,000		9,957,000
Schwab (Charles)	502,400		7,772,128
State Street	200,000		10,450,000
Stilwell Financial	320,000		8,710,400
Wells Fargo	152,000		6,604,400
			169,587,471
Health Services–1.8%			
Caremark Rx	634,300	a	10,345,433
Tenet Healthcare	68,000	a	3,992,960
			14,338,393
Health Technology–11.8%			
Baxter International	451,700		24,224,671
Johnson & Johnson	380,000		22,458,000
Lilly (Eli) & Co.	219,100		17,208,114
Pfizer	733,000		29,210,050
			93,100,835
Non-Energy Minerals–.9%			
Alcoa	203,000		**7,216,650**
Producer Manufacturing–2.8%			
Tyco International	367,000		**21,616,300**
Retail Trade–8.9%			
Best Buy	187,000	a	13,927,760
Home Depot	420,900		21,470,109
TJX Cos.	400,000		15,944,000
Wal-Mart Stores	324,900		18,697,995
			70,039,864
Technology Services–9.1%			
Compuware	320,000	a	3,772,800
Microsoft	621,400	a	41,180,178
Siebel Systems	312,000	a	8,729,760
VERITAS Software	401,000	a	17,972,820
			71,655,558
Utilities–2.1%			
Liberty Media, Cl. A	953,600	a	13,350,400

Common Stocks (continued)	Shares	Value ($)
Utilities (continued)		
SBC Communications	86,000	3,368,620
		16,719,020
Total Common Stocks		
(cost $705,227,615)		**776,195,993**

Short-Term Investments—4.3%	Principal Amount ($)	Value ($)
Certificates of Deposit—.0%		
Self Help Credit Union,		
2.00%, 3/19/2002	100,000	**100,000**
U.S. Treasury Bills—4.3%		
1.64%, 1/10/2002	3,353,000	3,351,793
1.79%, 1/17/2002	2,072,000	2,070,591
1.58%, 1/24/2002	2,245,000	2,242,755
1.55%, 1/31/2002	8,894,000	8,882,527
1.66%, 2/21/2002	17,214,000	17,174,408
		33,722,074
Total Short-Term Investments		
(cost $33,820,693)		**33,822,074**

Total Investments (cost $739,048,308)	**102.9%**	**810,018,067**
Liabilities, Less Cash and Receivables	**(2.9%)**	**(22,679,923)**
Net Assets	**100.0%**	**787,338,144**

[a] *Non-income producing.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2001

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments	739,048,308	810,018,067
Cash		300,606
Dividends and interest receivable		380,411
Receivable for shares of Common Stock subscribed		89,791
Prepaid expenses		15,476
		810,804,351
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates		519,092
Payable for investment securities purchased		22,540,863
Payable for shares of Common Stock redeemed		340,720
Accrued expenses		65,532
		23,466,207
Net Assets ($)		**787,338,144**
Composition of Net Assets ($):		
Paid-in capital		903,164,052
Accumulated undistributed investment income—net		46,257
Accumulated net realized gain (loss) on investments		(186,841,924)
Accumulated net unrealized appreciation (depreciation) on investments		70,969,759
Net Assets ($)		**787,338,144**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	779,063,102	8,275,042
Shares Outstanding	29,209,588	311,189
Net Asset Value Per Share ($)	**26.67**	**26.59**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2001

Investment Income ($):	
Income:	
Cash dividends (net of $72,166 foreign taxes withheld at source)	6,617,581
Interest	963,582
Total Income	**7,581,163**
Expenses:	
Investment advisory fee—Note 3(a)	6,774,388
Prospectus and shareholders' reports	86,446
Professional fees	78,749
Custodian fees—Note 3(c)	64,773
Shareholder servicing costs—Note 3(c)	21,386
Directors' fees and expenses—Note 3(d)	15,505
Loan commitment fees—Note 2	14,046
Distribution fees—Note 3(b)	10,144
Registration fees	2,140
Miscellaneous	10,562
Total Expenses	**7,078,139**
Investment Income—Net	**503,024**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	(156,204,953)
Net unrealized appreciation (depreciation) on investments	(91,700,949)
Net Realized and Unrealized Gain (Loss) on Investments	**(247,905,902)**
Net (Decrease) in Net Assets Resulting from Operations	**(247,402,878)**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2001	2000[a]
Operations ($):		
Investment income—net	503,024	8,792,048
Net realized gain (loss) on investments	(156,204,953)	(30,494,156)
Net unrealized appreciation (depreciation) on investments	(91,700,949)	(109,571,169)
Net Increase (Decrease) in Net Assets Resulting from Operations	**(247,402,878)**	**(131,273,277)**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial shares	(562,335)	(8,816,915)
Service shares	(237)	–
Total Dividends	**(562,572)**	**(8,816,915)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial shares	125,232,524	421,888,138
Service shares	9,161,263	500
Dividends reinvested:		
Initial shares	562,335	8,816,915
Service shares	237	–
Cost of shares redeemed:		
Initial shares	(174,535,116)	(113,064,727)
Service shares	(206,787)	–
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(39,785,544)**	**317,640,826**
Total Increase (Decrease) in Net Assets	**(287,750,994)**	**177,550,634**
Net Assets ($):		
Beginning of Period	1,075,089,138	897,538,504
End of Period	**787,338,144**	**1,075,089,138**
Undistributed investment income—net	46,257	129,938

	Year Ended December 31,	
	2001	2000[a]
Capital Share Transactions:		
Initial Shares		
Shares sold	4,094,068	10,887,108
Shares issued for dividends reinvested	20,766	266,489
Shares redeemed	(6,097,330)	(2,934,477)
Net Increase (Decrease) in Shares Outstanding	**(1,982,496)**	**8,219,120**
Service Shares		
Shares sold	319,159	15
Shares issued for dividends reinvested	8	–
Shares redeemed	(7,993)	–
Net Increase (Decrease) in Shares Outstanding	**311,174**	**15**

[a] *Effective December 31, 2000, shares of the fund were redesignated as Initial shares and the fund commenced selling Service shares.*

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the fund's financial statements.

	Year Ended December 31,				
Initial Shares	2001	2000	1999	1998	1997
Per Share Data ($):					
Net asset value, beginning of period	34.47	39.07	31.08	24.97	20.09
Investment Operations:					
Investment income—net	.02[a]	.32[a]	.01[a]	.05	.09
Net realized and unrealized gain (loss) on investments	(7.80)	(4.63)	9.34	7.28	5.63
Total from Investment Operations	(7.78)	(4.31)	9.35	7.33	5.72
Distributions:					
Dividends from investment income—net	(.02)	(.29)	(.01)	(.05)	(.10)
Dividends from net realized gain on investments	–	–	(1.35)	(1.17)	(.74)
Total Distributions	(.02)	(.29)	(1.36)	(1.22)	(.84)
Net asset value, end of period	26.67	34.47	39.07	31.08	24.97
Total Return (%)	(22.57)	(11.03)	30.08	29.38	28.44
Ratios/Supplemental Data (%):					
Ratio of expenses to average net assets	.78	.78	.79	.80	.82
Ratio of net investment income to average net assets	.06	.82	.04	.20	.46
Portfolio Turnover Rate	110.82	63.60	70.84	67.60	58.50
Net Assets, end of period ($ x 1,000)	779,063	1,075,089	897,539	477,797	275,887

[a] *Based on average shares outstanding at each month end.*
See notes to financial statements.

Service Shares	Year Ended December 31, 2001	2000[a]
Per Share Data ($):		
Net asset value, beginning of period	34.47	34.47
Investment Operations:		
Investment (loss)	(.06)[b]	–
Net realized and unrealized gain (loss) on investments	(7.82)	–
Total from Investment Operations	(7.88)	–
Distributions:		
Dividends from investment income–net	(.00)[c]	–
Net asset value, end of period	26.59	34.47
Total Return (%)	(22.85)	–
Ratios/Supplemental Data (%):		
Ratio of expenses to average net assets	1.09	–
Ratio of investment (loss) to average net assets	(.20)	–
Portfolio Turnover Rate	110.82	63.60
Net Assets, end of period ($ x 1,000)	8,275	1

[a] *The fund commenced offering Service shares on December 31, 2000.*
[b] *Based on average shares outstanding at each month end.*
[c] *Amount represents less than $.01 per share.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

The Dreyfus Socially Responsible Growth Fund, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified open-end management investment company. The fund's investment objective is to provide capital growth through equity investments in companies that not only meet traditional investment standards, but which also show evidence that they conduct their business in a manner that contributes to the enhancement of the quality of life in America. The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Dreyfus Corporation ("Dreyfus") serves as the fund's investment adviser. Dreyfus is a direct subsidiary of Mellon Bank, N.A. ("Mellon"), which is a wholly-owned subsidiary of Mellon Financial Corporation. NCM Capital Management Group, Inc. ("NCM") serves as the fund's sub-investment adviser.

Dreyfus Service Corporation (the "Distributor"), a wholly-owned subsidiary of Dreyfus, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue 300 million shares of $.001 par value Common Stock in each of the following classes of shares: Initial shares (150 million shares authorized) and Service shares (150 million shares authorized). Initial shares are subject to a shareholder services fee and Service shares are subject to a distribution fee. Each class of shares has identical rights and privileges, except with respect to the shareholder services plan, the distribution plan, and the expenses borne by each class and certain voting rights.

The fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

(a) Portfolio valuation: Investments in securities are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Securities for which there are no such valuations are valued at fair value as determined in good faith under the direction of the Board of Directors.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, amortization of discount and premium on investments, is recognized on the accrual basis. Under the terms of the custody agreement, the fund received net earnings credits of $13,092 during the period ended December 31, 2001, based on available cash balances left on deposit. Income earned under this arrangement is included in interest income.

(c) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gain.

(d) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all Federal income and excise taxes.

At December 31, 2001, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $46,257, accumulated capital losses $180,066,629 and unrealized appreciation $67,397,469. In addition, the portfolio had $3,203,005 of capital losses realized after October 31, 2001, which were deferred for tax purposes to the first day of the following fiscal year.

The accumulated capital loss is available to be applied against future net securities profits, if any, realized subsequent to December 31, 2001. If not applied, $7,523,105 of the carryover expires in fiscal 2008 and $172,543,524 expires in fiscal 2009.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2001 and December 31, 2000, respectively, were as follows: ordinary income $562,572 and $8,816,915.

During the period ended December 31, 2001, as a result of permanent book to tax differences, the fund decreased accumulated undistributed investment income-net by $24,133, increased accumulated net realized gain (loss) on investments by $24,111 and increased paid-in capital by $22. Net assets were not affected by this reclassification.

NOTE 2—Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a $500 million redemption credit facility (the "Facility") to be utilized for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay commitment fees on its pro rata portion of the Facility. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowings. During the period ended December 31, 2001, the fund did not borrow under the Facility.

NOTE 3—Investment Advisory Fee, Sub-Investment Advisory Fee and Other Transactions with Affiliates:

(a) Pursuant to an Investment Advisory Agreement with Dreyfus, the investment advisory fee is computed at the annual rate of .75 of 1% of the value of the fund's average daily net assets and is payable monthly.

Pursuant to a Sub-Investment Advisory Agreement between Dreyfus and NCM, the sub-investment advisory fee is payable monthly by

Dreyfus, and is based upon the value of the fund's average daily net assets, computed at the following annual rates:

Average Net Assets	
0 to $32 million	.10 of 1%
In excess of $32 million to $150 million	.15 of 1%
In excess of $150 million to $300 million	.20 of 1%
In excess of $300 million	.25 of 1%

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25 of 1% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2001, Service shares were charged $10,144 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25 of 1% of the value of Initial shares' average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares shareholder accounts. During the period ended December 31, 2001, Initial shares were charged $17,954 pursuant to the Shareholder Services Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended December 31, 2001, the fund was charged $972 pursuant to the transfer agency agreement.

The fund compensates Mellon under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2001, the fund was charged $64,773 pursuant to the custody agreement.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex (collectively, the "Fund Group"). Each Board member who is not an "affiliated person" as defined in the Act receives an annual fee of $25,000 and an attendance fee of $4,000 for each in person meeting and $500 for telephone meetings. These fees are allocated among the funds in the Fund Group. The Chairman of the Board receives an additional 25% of such compensation. Subject to the fund's Emeritus Program Guidelines, Emeritus Board members, if any, receive 50% of the annual retainer fee and per meeting fee paid at the time the Board member achieves emeritus status.

(e) During the period ended December 31, 2001, the fund incurred total brokerage commissions of $2,161,690, of which $50,344 was paid to Dreyfus Brokerage Services, a wholly-owned subsidiary of Mellon Financial Corporation.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended December 31, 2001, amounted to $977,288,825 and $1,000,335,939, respectively.

At December 31, 2001, accumulated net unrealized appreciation on investments was $70,969,759, consisting of $92,388,154 gross unrealized appreciation and $21,418,395 gross unrealized depreciation.

At December 31, 2001, the cost of investments for Federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
The Dreyfus Socially Responsible Growth Fund, Inc.

We have audited the accompanying statement of assets and liabilities of The Dreyfus Socially Responsible Growth Fund, Inc., including the statement of investments, as of December 31, 2001, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included verification by examination of securities held by the custodian as of December 31, 2001 and confirmation of securities not held by the custodian by correspondence with others. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Dreyfus Socially Responsible Growth Fund, Inc., at December 31, 2001, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated periods, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

New York, New York
February 4, 2002

IMPORTANT TAX INFORMATION (Unaudited)

For Federal tax purposes, the fund hereby designates 92.70% of the ordinary dividends paid during the fiscal year ended December 31, 2001 as qualifying for the corporate dividends received deduction.

BOARD MEMBERS INFORMATION (Unaudited)

Name (age) Position, (held since)	Principal Occupation During Past 5 Years	Other Directorships And Affiliations	No. of Portfolios for which Board Member Serves
Joseph S. DiMartino (58) Chairman of the Board (1995)	• Chairman of the Board of various funds in the Dreyfus Family of Funds	• The Muscular Dystrophy Association • Plan Vista Corporation (formerly Health Plan Services), a provider of marketing, administrative and risk management services to health and other benefit programs • Carlyle Industries, Inc., button packager and distributor • Century Business Services, Inc., a provider of various outsourcing functions for small and medium size companies • The Newark Group, a privately held company providing a national network of paper recovery facilities, paperboard mills and paperboard converting plants • QuikCAT.com, Inc., a private company engaged in the development of high speed movement, routing, storage and encryption of data across all modes of data transport	190
Clifford L. Alexander (68) Board Member (1992)	• President of Alexander & Associates, Inc., a management consulting firm • Chairman of the Board of Moody's Corporation (October 2000-present) • Chairman of the Board and Chief Executive Officer of The Dun and Bradstreet Corporation (October 1999-September 2000)	• American Home Products Corporation • IMS Health, a service provider of marketing information and information technology • WorldCOM • Mutual of America Life Insurance Company	49
Lucy Wilson Benson (74) Board Member (1992)	• President of Benson and Associates, consultants to business and government • Vice Chairman of the Citizens Network for Foreign Affairs • Vice Chairman of the Atlantic Council of the U.S.	• COMSAT Corporation, a telecommunications company • Alfred P. Sloan Foundation • Lafayette College • A member of the council of foreign relations	35

Once elected all Board Members serve for an indefinite term. Additional information about the Board Members, including their address is available in the Fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-554-4611.

OFFICERS OF THE FUND (Unaudited)

STEPHEN E. CANTER, President since March 2000.

Chairman of the Board, Chief Executive Officer and Chief Operating Officer of Dreyfus, and an officer of 92 investment companies (comprised of 183 portfolios) managed by Dreyfus. Mr. Canter also is a Director or an Executive Committee Member of the other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of Dreyfus. He is 56 years old, and has been an employee of Dreyfus since May 1995.

MARK N. JACOBS, Vice President since March 2000.

Executive Vice President, Secretary and General Counsel of Dreyfus, and an officer of 93 investment companies (comprised of 196 portfolios) managed by Dreyfus. He is 55 years old, and has been an employee of Dreyfus since June 1977.

STEVEN F. NEWMAN, Secretary since March 2000.

Associate General Counsel and Assistant Secretary of Dreyfus, and an officer of 93 investment companies (comprised of 196 portfolios) managed by Dreyfus. He is 52 years old, and has been an employee of Dreyfus since July 1980.

JEFF PRUSNOFSKY, Assistant Secretary since March 2000.

Associate General Counsel of Dreyfus, and an officer of 10 investment companies (comprised of 60 portfolios) managed by Dreyfus. He is 36 years old, and has been an employee of Dreyfus since January 1986.

MICHAEL A. ROSENBERG, Assistant Secretary since March 2000.

Associate General Counsel of Dreyfus, and an officer of 93 investment companies (comprised of 196 portfolios) managed by Dreyfus. He is 42 years old, and has been an employee of Dreyfus since October 1991.

JAMES WINDELS, Treasurer since November 2001.

Director of Mutual Fund Treasury Accounting of Dreyfus, and an officer of 93 investment companies (comprised of 196 portfolios) managed by Dreyfus. He is 43 years old, and has been an employee of Dreyfus since April 1985.

KENNETH SANDGREN, Assistant Treasurer since November 2001.

Mutual Funds Tax Director of Dreyfus, and an officer of 93 investment companies (comprised of 196 portfolios) managed by Dreyfus. He is 47 years old, and has been an employee of Dreyfus since June 1993.

For More Information

To obtain information:

By telephone
Call
1-800-554-4611 or
516-338-3300

By mail Write to:
The Dreyfus Family of Funds
144 Glenn Curtiss Boulevard
Uniondale, NY 11556-0144
Attn: Institutional Servicing

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VIF-UTILITIES FUND

ANNUAL

ANNUAL REPORT | *December 31, 2001*

INVESCO®

Market Overview

December 2001

The bear market in stocks continued during 2001, as economic worries and political uncertainty undermined investor confidence. The period actually began on a strong note as stocks rallied sharply during January, following two successive interest rate cuts by the Federal Reserve. But as the first quarter progressed, and corporate profit warnings became almost a daily occurrence, it became clear that the economy was in worse shape than many had thought.

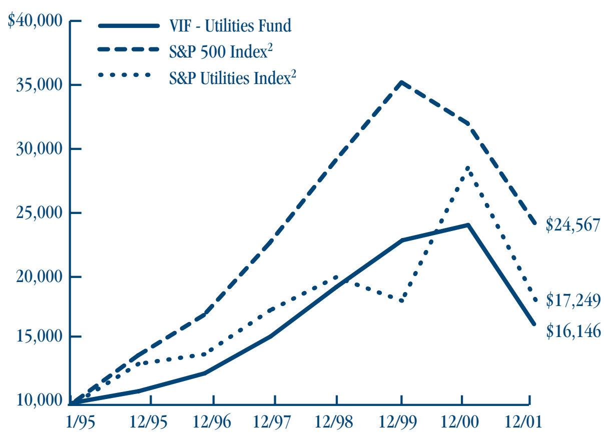
Over the next seven months, the Fed lowered interest rates five more times, bringing the target for the federal funds rate down to its lowest level since 1994. At the same time, the Bush administration implemented several fiscal measures in an effort to further stimulate the economy. Despite these actions, the economy continued to stagnate and unemployment increased. The technology sector continued to be plagued by excessive inventories, and manufacturing was mired in recession. Only the consumer area was healthy. These trends kept investors risk averse, and bonds and other more defensive investments rallied.

Following the September 11 terrorist attacks, conditions worsened. In the aftermath of the attacks, consumer confidence plummeted and business activity temporarily ceased. But by the middle of October, the U.S. had launched its war on terrorism, and American confidence began to bounce back. Stocks rebounded throughout the fourth quarter.

The year ended on a positive, albeit cautious, note. The market appeared to be looking forward to an economic recovery during 2002, and Americans seemed confident that the U.S. and the coalition of civilized nations would win the war on terrorism. The world's political hierarchy and financial system remained intact, and investors appeared optimistic about the beginning of a new economic expansion.

VIF-Utilities Fund

The line graph below illustrates, for the period from inception through December 31, 2001, the value of a $10,000 investment in the fund, plus reinvested dividends and capital gain distributions. The charts and other total return figures cited reflect the fund's operating expenses, but the indexes do not have expenses, which would, of course, have lowered their performance. (Past performance is not a guarantee of future results.)[1,2]



For the 12-month period ended December 31, 2001, the value of your shares declined 32.41%, underperforming the 11.88% decline in the S&P 500 Index, as well as the 30.44% decline in the S&P Utilities Index, which is a more accurate benchmark for the fund. (Of course, past performance is not a guarantee of future results.)[1,2]

VIF-Utilities Fund
Average Annualized Total Return as of 12/31/01[1]

1 year	(32.41%)
5 years	5.59%
Since inception (1/95)	7.09%

Utility stocks endured a difficult year, as economic fears and industry-specific woes clouded the group's near-term prospects. The power companies, including fund holdings in Calpine Corp and Mirant Corp, had a particularly challenging year. During the first six months of the year, concerns about an energy crisis in California pressured the group. But as the crisis faded, prices of the underlying commodities softened and the economy continued to weaken. Then Enron Corp melted down as a result of its use of complicated business arrangements to move debt off its books. Although we sold our Enron exposure well before these problems came to light, the fund was still affected. Enron competed in several of the same business lines as some of the fund's holdings, and many of them declined in sympathy. In our opinion, our holdings are well positioned, and we believe that Enron's problems were company specific.

Telecommunications-related utilities did not fare much better. While economic worries plagued the regional Bell operating companies, including BellSouth Corp, the group's defensive characteristics helped it to outperform the market on a relative basis. The same cannot be said for the competitive local exchange carriers (CLECs), many of which declined after they were unable to secure sufficient funding for their operations. Although the fund's exposure to this group is limited to only the highest quality, most well-funded CLECs, such as Time Warner Telecom, this exposure hurt performance nonetheless.

We remain confident that the economy will improve in the next year, which would likely benefit the utilities sector. And despite the recent poor performance by many of the fund's power generators, we continue to believe that they represent some of the best long-term opportunities in the utilities universe, and that investors will once again recognize that the imbalances between supply and demand continue to favor the power producers.

Fund Management

Brian Hayward, CFA

Senior Vice President, INVESCO Funds Group. BA, MA, University of Missouri. Joined INVESCO in 1997. Began investment career in 1985.

[1]Total return assumes reinvestment of dividends and capital gain distributions for the periods indicated. Investment return and principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than when purchased. Fund returns are net of expenses, but do not reflect the additional fees and expenses of the variable annuity or variable life insurance contract. If those contract fees and expenses were included, the returns would be less than those shown.

[2]The S&P 500 Index is an unmanaged index considered representative of the performance of the broad U.S. stock market. The S&P Utilities Index is an unmanaged index representative of equities in the utility sector of the S&P 500 Index. The indexes are not managed; therefore, their performance does not reflect management fees and other expenses associated with the fund. Investors cannot invest directly in these or any other market index.

Sector funds may experience greater short-term price volatility than more diversified equity funds, and are most suitable for the aggressive portion of an investment portfolio.

INVESTCO Variable Investment Funds, Inc.
December 31, 2001

%	DESCRIPTION	SHARES OR PRINCIPAL AMOUNT		VALUE
Utilities Fund				
88.76	**COMMON STOCKS**			
2.74	**ALTERNATIVE CARRIERS**			
	Cable & Wireless PLC[a]	38,400	$	184,708
	Time Warner Telecom Class A Shrs[a]	21,100		373,259
				557,967
41.98	**ELECTRIC UTILITIES**			
	Alliant Energy	28,070		852,205
	Calpine Corp[a]	24,100		404,639
	Constellation Energy Group	17,600		467,280
	Dominion Resources	15,000		901,500
	Duke Energy	31,452		1,234,806
	Exelon Corp	17,412		833,687
	FPL Group	6,700		377,880
	Mirant Corp[a]	24,100		386,082
	Pinnacle West Capital	19,400		811,890
	PPL Corp	11,200		390,320
	Reliant Energy	13,800		365,976
	Reliant Resources[a]	22,300		368,173
	SCANA Corp	9,500		264,385
	TXU Corp	18,600		876,990
				8,535,813
0.68	**GAS UTILITIES**			
	ONEOK Inc	7,700		137,368
20.69	**INTEGRATED TELECOMMUNICATION SERVICES**			
	ALLTEL Corp	10,700		660,511
	AT&T Canada Class B Depository Receipts[a]	15,700		473,983
	AT&T Corp	17,200		312,008
	BellSouth Corp	18,140		692,041
	COLT Telecom Group PLC Sponsored ADR Representing 4 Ord Shrs[a]	6,912		47,416
	Portugal Telecom SGPS SA Sponsored ADR Representing Ord Shrs	35,500		270,155
	SBC Communications	16,606		650,457
	Telefonica SA Sponsored ADR Representing 3 Ord Shrs	13,083		524,367
	Verizon Communications	12,133		575,832
				4,206,770
5.78	**INTEGRATED TELECOMMUNICATION SERVICES — LONG DISTANCE**			
	Allegiance Telecom[a]	64,600		535,534
	Broadwing Inc[a]	22,000		209,000
	Qwest Communications International	5,001		70,664
	WorldCom Inc-MCI Group	28,400		360,680
				1,175,878

%	DESCRIPTION	SHARES OR PRINCIPAL AMOUNT	VALUE
10.02	**NATURAL GAS PIPELINES**		
	Dynegy Inc Class A Shrs	900	$ 22,950
	El Paso	25,449	1,135,280
	Kinder Morgan Management LLC	9,175	347,732
	Williams Cos	20,800	530,816
			2,036,778
2.75	**OIL & GAS EXPLORATION & PRODUCTION**		
	NRG Energy[a]	36,100	559,550
1.20	**STEEL**		
	Oregon Steel Mills[a]	49,400	244,530
2.92	**WIRELESS TELECOMMUNICATION SERVICES**		
	Nextel Communications Class A Shrs[a]	18,600	203,856
	Sprint Corp PCS Series 1 Shrs[a]	3,600	87,876
	Vodafone Group PLC	115,284	301,592
			593,324
	TOTAL COMMON STOCKS (Cost $19,557,991)		**18,047,978**
11.24	**SHORT-TERM INVESTMENTS — REPURCHASE AGREEMENTS**		
	Repurchase Agreement with State Street dated 12/31/2001 due 1/2/2002 at 1.740%, repurchased at $2,286,221 (Collateralized by Federal Home Loan Bank Bonds, due 11/29/2002 at 2.155%, value $2,332,972) (Cost $2,286,000)	$ 2,286,000	2,286,000
100.00	**TOTAL INVESTMENT SECURITIES AT VALUE** (Cost $21,843,991)		$ 20,333,978

(a) Security is non-income producing.

See Notes to Financial Statements

STATEMENT OF ASSETS AND LIABILITIES

INVESCO Variable Investment Funds, Inc.
December 31, 2001

		UTILITIES FUND
ASSETS		
Investment Securities:		
At Cost[a]	$	21,843,991
At Value[a]	$	20,333,978
Cash		81,489
Receivables:		
Fund Shares Sold		561,417
Dividends and Interest		41,903
Appreciation on Forward Foreign Currency Contracts		185
Prepaid Expenses and Other Assets		825
TOTAL ASSETS		21,019,797
LIABILITIES		
Payables:		
Investment Securities Purchased		61,073
Fund Shares Repurchased		4,897
Accrued Expenses and Other Payables		6,437
TOTAL LIABILITIES		72,407
Net Assets at Value	**$**	**20,947,390**
NET ASSETS		
Paid-in Capital[b]	$	23,242,629
Accumulated Undistributed Net Investment Income		161,145
Accumulated Undistributed Net Realized Loss on Investment Securities and Foreign Currency Transactions		(946,399)
Net Depreciation of Investment Securities and Foreign Currency Transactions		(1,509,985)
Net Assets at Value	**$**	**20,947,390**
Shares Outstanding		1,487,234
Net Asset Value, Offering and Redemption Price per Share	**$**	**14.08**

(a) Investment securities at cost and value at December 31, 2001 includes a repurchase agreement of $2,286,000.

(b) INVESCO Variable Investment Funds, Inc. have 2 billion authorized shares of common stock, par value of $0.01 per share. Of such shares, 100 million have been allocated to the Fund.

See Notes to Financial Statements

STATEMENT OF OPERATIONS

INVESCO Variable Investment Funds, Inc.
Year Ended December 31, 2001

		UTILITIES FUND
INVESTMENT INCOME		
INCOME		
Dividends	$	259,646
Interest		66,259
Foreign Taxes Withheld		(899)
TOTAL INCOME		325,006
EXPENSES		
Investment Advisory Fees		85,405
Administrative Services Fees		47,721
Custodian Fees and Expenses		8,914
Directors' Fees and Expenses		9,375
Professional Fees and Expenses		16,482
Registration Fees and Expenses		52
Reports to Shareholders		21,628
Transfer Agent Fees		5,000
Other Expenses		1,177
TOTAL EXPENSES		195,754
Fees and Expenses Absorbed by Investment Adviser		(31,703)
Fees and Expenses Paid Indirectly		(412)
NET EXPENSES		163,639
NET INVESTMENT INCOME		161,367
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT SECURITIES		
Net Realized Gain (Loss) on:		
Investment Securities		(883,578)
Foreign Currency Transactions		5,481
Total Net Realized Loss		(878,097)
Change in Net Appreciation/Depreciation of:		
Investment Securities		(4,585,435)
Foreign Currency Transactions		(10,910)
Total Net Appreciation/Depreciation		(4,596,345)
NET LOSS ON INVESTMENT SECURITIES AND FOREIGN CURRENCY TRANSACTIONS		(5,474,442)
Net Decrease in Net Assets from Operations	**$**	**(5,313,075)**

See Notes to Financial Statements

STATEMENT OF CHANGES IN NET ASSETS

Utilities Fund

	YEAR ENDED DECEMBER 31	
	2001	2000
OPERATIONS		
Net Investment Income	$ 161,367	$ 102,327
Net Realized Gain (Loss) on Investment Securities and Foreign Currency Transactions	(878,097)	43,748
Change in Net Appreciation/Depreciation of Investment Securities and Foreign Currency Transactions	(4,596,345)	358,590
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(5,313,075)	504,665
DISTRIBUTIONS TO SHAREHOLDERS		
Net Investment Income	(102,460)	(14,611)
Net Realized Gain on Investment Securities and Foreign Currency Transactions	(106,296)	(499,901)
TOTAL DISTRIBUTIONS	(208,756)	(514,512)
FUND SHARE TRANSACTIONS		
Proceeds from Sales of Shares	21,078,887	7,965,982
Reinvestment of Distributions	208,756	514,512
	21,287,643	8,480,494
Amounts Paid for Repurchases of Shares	(7,118,034)	(5,308,217)
NET INCREASE IN NET ASSETS FROM FUND SHARE TRANSACTIONS	14,169,609	3,172,277
Total Increase in Net Assets	**8,647,778**	**3,162,430**
NET ASSETS		
Beginning of Period	12,299,612	9,137,182
End of Period (Including Accumulated Undistributed Net Investment Income of $161,145 and $102,003, respectively)	$ 20,947,390	$ 12,299,612

FUND SHARE TRANSACTIONS		
Shares Sold	1,315,091	362,828
Shares Issued from Reinvestment of Distributions	14,825	26,251
	1,329,916	389,079
Shares Repurchased	(426,823)	(240,655)
Net Increase in Fund Shares	**903,093**	**148,424**

See Notes to Financial Statements

NOTE 1 — Organization And Significant Accounting Policies. INVESCO Variable Investment Funds, Inc. is incorporated in Maryland and presently consists of thirteen separate Funds: Dynamics Fund, Equity Income Fund, Financial Services Fund, Growth Fund (formerly Blue Chip Growth Fund), Health Sciences Fund, High Yield Fund, Leisure Fund, Real Estate Opportunity Fund, Small Company Growth Fund, Technology Fund, Telecommunications Fund, Total Return Fund and Utilities Fund (the "Fund", presented herein). The investment objective of the Fund is to seek capital appreciation and income through investments in a specific business sector. The INVESCO Variable Investment Funds, Inc. is registered under the Investment Company Act of 1940 (the "Act") as a diversified, open-end management investment company. The Fund's shares are not offered directly to the public but are sold exclusively to life insurance companies ("Participating Insurance Companies") as a pooled funding vehicle for variable annuity and variable life insurance contracts issued by separate accounts of the Participating Insurance Companies.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

A. Security Valuation — Equity securities traded on national securities exchanges or in the over-the-counter market are valued at the last sales price at the close of the regular trading day on the exchange (generally 4:00 p.m. Eastern time) where such securities are primarily traded. If last sales prices are not available, securities are valued at the highest closing bid prices at the close of the regular trading day as obtained from one or more dealers making a market for such securities or by a pricing service approved by the Fund's board of directors.

Foreign securities are valued at the closing price on the principal stock exchange on which they are traded. In the event that closing prices are not available for foreign securities, prices will be obtained from the principal stock exchange at or prior to the close of the New York Stock Exchange. Foreign currency exchange rates are determined daily prior to the close of the New York Stock Exchange.

If market quotations or pricing service valuations are not readily available, securities are valued at fair value as determined in good faith under procedures established by the Fund's board of directors.

Short-term securities are stated at amortized cost (which approximates market value) if maturity is 60 days or less at the time of purchase, or market value if maturity is greater than 60 days.

Assets and liabilities initially expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing market rates as quoted by one or more banks or dealers on the date of valuation.

B. Repurchase Agreements — Repurchase agreements held by the Fund are fully collateralized by U.S. Government securities and such collateral is in the possession of the Fund's custodian. The collateral is evaluated daily to ensure its market value exceeds the current market value of the repurchase agreements including accrued interest. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

C. Security Transactions And Related Investment Income — Security transactions are accounted for on the trade date and dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Interest income, which may be comprised of stated coupon rate, market discount, original issue discount or amortized premium, is recorded on the accrual basis. Income and expenses on foreign securities are translated into U.S. dollars at rates of exchange prevailing when accrued. Investment income received from foreign sources may be subject to foreign withholding taxes. Dividend and interest income is shown gross of foreign withholding taxes in the accompanying financial statements. Cost is determined on the specific identification basis. The cost of foreign securities is translated into U.S. dollars at the rates of exchange prevailing when such securities are acquired.

The Fund may invest in securities issued by other INVESCO investment companies that invest in short-term debt securities and seek to maintain a net asset value of one dollar per share.

The Fund may have elements of risk due to concentrated investments in specific industries or foreign issuers located in a specific country. Such investments may subject the Fund to additional risks resulting from future political or economic conditions and/or possible impositions of adverse foreign governmental laws or currency exchange restrictions. Net realized and unrealized gain or loss from investment securities includes fluctuations from currency exchange rates and fluctuations in market value.

The Fund's use of short-term forward foreign currency contracts may subject it to certain risks as a result of unanticipated movements in foreign exchange rates. The Fund does not hold short-term forward foreign currency contracts for trading purposes. The Fund may hold foreign currency in anticipation of settling foreign security transactions and not for investment purposes.

D. Dividends And Distributions To Shareholders — Dividends and distributions to shareholders are recorded by the Fund on the ex-dividend/distribution date. The Fund distributes net realized capital gains, if any, to its shareholders at least annually, if not offset by capital loss carryovers.

E. Tax Information — The Fund has complied, and continues to comply, with the provisions of the Internal Revenue Code applicable to regulated investment companies and, accordingly, has made or intends to make sufficient distributions of net investment income and net realized capital gains, if any, to relieve it from all federal and state income taxes and federal excise taxes.

Dividends paid by the Fund from net investment income and distributions of net realized short-term capital gains are, for federal income tax purposes, taxable as ordinary income to shareholders. The tax composition of dividends was $102,460 of ordinary income distributions and $106,296 of long-term capital gain distributions. Of the ordinary income distributions declared for the year ended December 31, 2001, 100.00% qualified for the dividends received deduction available to the Fund's Corporate Shareholders. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States.

During the current fiscal year, the Fund adopted the revised AICPA Audit and Accounting Guide, *Audits of Investments Companies*, which requires disclosure of tax components. The tax components of the Fund include:

Cost of Investments for Tax Purposes	$	21,888,721
Gross Tax Unrealized Appreciation	$	528,028
Gross Tax Unrealized Depreciation		(2,082,771)
Net Tax Depreciation on Investments	$	(1,554,743)
Undistributed Ordinary Income	$	161,756
Accumulated Capital Loss Carryovers		(871,666)
Cumulative Effect of Other Timing Differences		(30,614)

The primary difference between book and tax appreciation/depreciation is wash sale loss deferrals.

Capital loss carryovers expire in the year 2009. To the extent future capital gains and income are offset by capital loss carryovers and deferred post-October 31 losses, such gains and income will not be distributed to shareholders.

The cumulative effect of other timing differences includes deferred post-October 31 capital losses of $30,003, deferred directors' fees and foreign currency contracts.

F. Forward Foreign Currency Contracts — The Fund enters into short-term forward foreign currency contracts in connection with planned purchases or sales of securities as a hedge against fluctuations in foreign exchange rates pending the settlement of transactions in foreign securities. A forward foreign currency contract is an agreement between contracting parties to exchange an amount of currency at some future time at an agreed upon rate. These contracts are marked-to-market daily and the related appreciation or depreciation of the contracts is presented in the Statement of Assets and Liabilities. Any realized gain or loss incurred by the Fund upon the sale of securities is included in the Statement of Operations.

G. Expenses — The Fund bears expenses incurred specifically on its behalf and, in addition, the Fund bears a portion of general expenses, based on the relative net assets of the Fund.

Under an agreement between the Fund and the Fund's Custodian, agreed upon Custodian Fees and Expenses are reduced by credits granted by the Custodian from any temporarily uninvested cash. Such credits are included in Fees and Expenses Paid Indirectly in the Statement of Operations.

NOTE 2 — Investment Advisory And Other Agreements. INVESCO Funds Group, Inc. ("IFG") serves as the Fund's investment adviser. As compensation for its services to the Fund, IFG receives an investment advisory fee which is accrued daily at the applicable rate and paid monthly. Prior to June 15, 2001, the fee for the Fund was based on the annual rate of 0.60% on the first $500 million of average net assets; reduced to 0.55% on the next $500 million of average net assets; reduced to 0.45% of average net assets in excess of $1 billion; reduced to 0.40% of average net assets in excess of $4 billion; reduced to 0.375% of average net assets in excess of $6 billion and 0.35% of average net assets over $8 billion. Effective June 15, 2001, the investment advisory fee for the Fund is based on the annual rate of 0.60% of average net assets.

IFG receives a transfer agent fee of $5,000 per year. The fee is paid monthly at one-twelfth of the annual fee.

In accordance with an Administrative Services Agreement, the Fund pays IFG an annual fee of $10,000, plus an additional amount computed at an annual rate of 0.265% of average net assets to provide administrative, accounting and clerical services. The fee is accrued daily and paid monthly. IFG may pay all or a portion of the fee to other companies that assist in providing the services.

IFG has voluntarily agreed to absorb certain fees and expenses incurred by the Fund for the year ended December 31, 2001.

NOTE 3 — Purchases And Sales Of Investment Securities. For the year ended December 31, 2001, the aggregate cost of purchases and proceeds from sales of investment securities (excluding all U.S. Government securities and short-term securities) were $16,516,851 and $4,196,809, respectively. There were no purchases or sales of U.S. Government securities.

NOTE 4 — Transactions With Affiliates. Certain of the Fund's officers and directors are also officers and directors of IFG.

The Fund has adopted an unfunded retirement plan covering all independent directors of the Fund who will have served as an independent director for at least five years at the time of retirement. Benefits under this plan are based on an annual rate as defined in the plan agreement, as amended March 1, 2001.

Pension expenses for the year ended December 31, 2001, included in Directors' Fees and Expenses in the Statement of Operations were $44. Unfunded accrued pension costs of $0 and pension liability of $427 are included in Prepaid Expenses and Accrued Expenses, respectively, in the Statement of Assets and Liabilities.

The independent directors have contributed to a deferred fee agreement plan, pursuant to which they have deferred receipt of a portion of the compensation which they would otherwise have been paid as directors of the INVESCO Funds. The deferred amounts may be invested in the shares of any of the INVESCO Funds, excluding the INVESCO Variable Investment Funds.

NOTE 5 — Securities Loaned. The Fund has entered into a securities lending arrangement with the custodian effective April 27, 2001. Under the terms of the agreement, the Fund receives annual income, recorded monthly, after deduction of other amounts payable to the custodian or to the borrower from lending transactions. In exchange for such fees, the custodian is authorized to loan securities on behalf of the Fund, against receipt of collateral at least equal in value to the value of securities loaned. Cash collateral is invested by the custodian in the INVESCO Treasurer's Series Money Market Reserve Fund or securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities. The Fund bears the risk of any deficiency in the amount of collateral available for return to a borrower due to a loss in an approved investment. During the year ended December 31, 2001, there were no such securities lending arrangements for the Fund.

NOTE 6 — Interfund Borrowing and Lending. The Fund is party to an interfund lending agreement between the Fund and other INVESCO sponsored mutual funds, which permits it to borrow or lend cash, at rates beneficial to both the borrowing and lending funds. Loans totaling 10% or more of a borrowing Fund's total assets are collateralized at 102% of the value of the loan; loans of less than 10% are unsecured. The Fund may borrow up to 10% of its total assets for temporary or emergency purposes. During the year ended December 31 2001, there were no such borrowings and/or lendings for the Fund.

NOTE 7 — Line Of Credit. The Fund has available a Redemption Line of Credit Facility ("LOC"), from a consortium of national banks, to be used for temporary or emergency purposes to fund redemptions of investor shares. The LOC permits borrowings to a maximum of 10% of the net assets at value of the Fund. The Fund agrees to pay annual fees and interest on the unpaid principal balance based on prevailing market rates as defined in the agreement. During the year ended December 31, 2001, there were no such borrowings for the Fund.

Report of Independent Accountants

To the Board of Directors and Shareholders of
INVESCO Variable Investment Funds, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the statement of investment securities, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Utilities Fund, (one of the portfolios constituting INVESCO Variable Investment Funds, Inc., hereafter referred to as the "Fund") at December 31, 2001, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2001 by correspondence with the custodian, provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Denver, Colorado
February 4, 2002

FINANCIAL HIGHLIGHTS

Utilities Fund
(For a Fund Share Outstanding Throughout Each Period)

	YEAR ENDED DECEMBER 31				
	2001	2000	1999	1998	1997
PER SHARE DATA					
Net Asset Value — Beginning of Period	$ 21.06	$ 20.97	$ 17.78	$ 14.40	$ 11.95
INCOME FROM INVESTMENT OPERATIONS					
Net Investment Income[a]	0.00	0.17	0.22	0.25	0.31
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	(6.83)	0.87	3.17	3.41	2.48
Total from Investment Operations	**(6.83)**	**1.04**	**3.39**	**3.66**	**2.79**
LESS DISTRIBUTIONS					
Dividends from Net Investment Income	0.07	0.03	0.20	0.24	0.29
Distributions from Capital Gains	0.08	0.92	0.00	0.04	0.05
Total Distributions	**0.15**	**0.95**	**0.20**	**0.28**	**0.34**
Net Asset Value — End of Period	$ 14.08	$ 21.06	$ 20.97	$ 17.78	$ 14.40
TOTAL RETURN[b]	(32.41%)	5.28%	19.13%	25.48%	23.41%
RATIOS					
Net Assets — End of Period ($000 Omitted)	$ 20,947	$ 12,300	$ 9,137	$ 6,993	$ 4,588
Ratio of Expenses to Average Net Assets[c][d]	1.15%	1.22%	1.20%	1.08%	0.99%
Ratio of Net Investment Income to Average Net Assets[d]	1.13%	0.94%	1.15%	1.73%	2.92%
Portfolio Turnover Rate	33%	50%	40%	35%	33%

(a) Net Investment Income aggregated less than $0.01 on a per share basis for the year ended December 31, 2001.

(b) Total return does not reflect expenses that apply to the related insurance policies, and inclusion of these charges would reduce the total return figures for the periods shown.

(c) Ratio is based on Total Expenses of the Fund, less Expenses Absorbed by Investment Adviser, which is before any expense offset arrangements (which may include custodian fees).

(d) Various expenses of the Fund were voluntarily absorbed by IFG for the years ended December 31, 2001, 2000, 1999, 1998 and 1997. If such expenses had not been voluntarily absorbed, ratio of expenses to average net assets would have been 1.37%, 1.41%, 1.53%, 1.60% and 2.07%, respectively, and ratio of net investment income to average net assets would have been 0.91%, 0.75%, 0.82%, 1.21% and 1.84%, respectively.

OTHER INFORMATION

UNAUDITED

The table below provides information about each of the Independent and Interested Directors. Their affiliations represent their principal occupations.

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH COMPANY, TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS*	NUMBER OF FUNDS IN FUND COMPLEX	OTHER DIRECTORSHIPS HELD BY DIRECTOR
Independent Directors				
Fred A. Deering 1551 Larimer Street, #1701 Denver, Colorado Age: 74	Vice Chairman of the Board	Chairman of the Executive Committee and Chairman of the Board of Security Life of Denver Insurance Company; and Director of ING American Holdings Company and First ING Life Insurance Company of New York. Formerly, Trustee of INVESCO Global Health Sciences Fund.	46	
Victor L. Andrews, Ph.D. 34 Seawatch Drive Savannah, Georgia Age: 71	Director	Professor Emeritus, Chairman Emeritus and Chairman and CFO of the Roundtable of the Department of Finance of Georgia State University; and President Andrews Financial Associates, Inc. (consulting firm). Formerly, member of the faculties of the Harvard Business School; and the Sloan School of Management of MIT.	46	Director of The Sheffield Funds, Inc.
Bob R. Baker 37 Castle Pines Dr. N. Castle Rock, Colorado Age: 65	Director	Consultant (2000 to Present). Formerly, President and Chief Executive Officer (1988 to 2000) of AMC Cancer Research Center, Denver, Colorado (Mid-December 1988); Vice Chairman of the Board of First Columbia Financial Corporation, Englewood, Colorado; and Chairman of the Board and Chief Executive Officer of First Columbia Financial Corporation.	46	
Lawrence H. Budner 7608 Glen Albens Circle Dallas, Texas Age: 71	Director	Trust Consultant. Formerly, Senior Vice President and Senior Trust Officer of InterFirst Bank, Dallas, Texas.	46	
James T. Bunch 3600 Republic Plaza 370 Seventeenth Street Denver, Colorado Age: 59	Director (since 2000)	Principal and Founder of Green, Manning & Bunch Ltd., Denver, Colorado (1988 to Present); Director and Secretary of Green, Manning & Bunch Securities, Inc.; and Director and Vice President of Western Golf Association and Evans Scholars Foundation. Formerly, General Counsel and Director of Boettcher & Company Denver, Colorado; and Chairman and Managing Partner of Davis, Graham & Stubbs, Denver, Colorado.	46	

UNAUDITED

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH COMPANY, TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS*	NUMBER OF FUNDS IN FUND COMPLEX	OTHER DIRECTORSHIPS HELD BY DIRECTOR
Wendy L. Gramm, Ph.D. 4201 N. Yuma Street, N.W. Washington, D.C. Age: 57	Director (since 1997)	Self-employed (since 1993); Director and Distinguished Senior Fellow, Regulartory Studies Program, Mercatus Center George Mason University, Virginia. Director, International Republic Institute and the Texas Public Policy Foundation. Formerly, Chairman Commodity Futures Trading Commission; Administrator for Information and Regulatory Affairs at the Office of Management and Budget; and Director of the Chicago Mercantile Exchange (1994 to 1999); Kinetic Concepts, Inc. (1996 to 1997); and the Independent Women's Forum (1994 to 1999).	46	Director of Enron Corporation; IBP, Inc.; and State Farm Insurance Company.
Gerald J. Lewis 701 "B" Street Suite 2100 San Diego, California Age: 68	Director (since 2000)	Chairman of Lawsuit Resolution Services, San Diego, California (1987 to Present). Formerly, Associate Justice of the California Court of Appeals; and of Counsel, Latham & Watkins, San Diego, California (1987 to 1997).	46	Director of General Chemical Group, Inc., Hampdon, New Hampshire (1996 to Present). Director of Wheelabrator Technologies, Inc.; Fisher Scientific, Inc; Henley Manufacturing, Inc.; and California Coastal Properties, Inc.
John W. McIntyre Piedmont Center Suite 100 Atlanta, Georgia Age: 71	Director	Retired. Trustee of Gables Residential Trust. Trustee and Chairman of the J.M. Tull Charitable Foundation; Director of Kaiser Foundation Health Plans of Georgia, Inc. Formerly, Vice Chairman of the Board of Directors of The Citizens and Southern Corporation and Chairman of the Board and Chief Executive Officer of The Citizens and Southern Georgia Corporation and The Citizens and Southern National Bank. Formerly, Trustee of INVESCO Global Health Sciences Fund and Trustee of Employee's Retirement System of Georgia, Emory University.	46	
Larry Soll, Ph. D. 2358 Sunshine Canyon Dr. Boulder, Colorado Age: 59	Director (since 1997)	Retired. Formerly, Chairman of the Board (1987 to 1994), Chief Executive Officer (1982 to 1989 and 1993 to 1994) and President (1982 to 1989) of Synergen Inc.; and Trustee of INVESCO Global Health Sciences Fund.	46	Director of Synergen since incorporation in 1982; Director of Isis Pharmaceuticals, Inc.

UNAUDITED

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH COMPANY, TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS*	NUMBER OF FUNDS IN FUND COMPLEX	OTHER DIRECTORSHIPS HELD BY DIRECTOR

Interested Directors and Officers

These directors are "interested persons" of IFG as defined in the Act, and they are interested persons by virtue of the fact that he/she is an officer or director of IFG, IDI or an affiliate of IFG.

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH COMPANY, TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS*	NUMBER OF FUNDS IN FUND COMPLEX	OTHER DIRECTORSHIPS HELD BY DIRECTOR
Mark H. Williamson 4350 South Monaco Street Denver, Colorado Age: 50	President (1998-2001); Chief Executive Officer (1998-Present); and Chairman of the Board (since 1999)	Chief Executive Officer, Managed Products Division, AMVESCAP PLC (2001 to Present); Chief Executive Officer INVESCO Funds Group, Inc.; and Chief Executive Officer INVESCO Distributors, Inc. Formerly, President of INVESCO Funds Group, Inc.; President of INVESCO Distributors, Inc.; Chief Operating Officer and Chairman of the Board of INVESCO Global Health Sciences Fund; Chairman and Chief Executive Officer of NationsBanc Advisors, Inc.; and Chairman of NationsBanc Investments, Inc.	46	Chairman of the Board of INVESCO Funds Group, Inc. and INVESCO Distributors, Inc.
Charles W. Brady 1315 Peachtree St., N.E. Atlanta, Georgia Age: 66	Director	Chief Executive Officer and Chairman of AMVESCAP PLC, London, England and various subsidiaries of AMVESCAP PLC. Formerly, Trustee of INVESCO Global Sciences Fund.	46	
Raymond R. Cunningham 4350 South Monaco Street Denver, Colorado Age: 50	Vice President and Director (since 2001)	President and Chief Operating Officer of INVESCO Funds Group, Inc.; President of INVESCO Distributors, Inc. Formerly, Senior Vice President of INVESCO Funds Group, Inc.; and Senior Vice President of GT Global - North America (1992 to 1998).	46	Director of INVESCO Funds Group, Inc. and INVESCO Distributors, Inc.
Richard W. Healey 4350 South Monaco Street Denver, Colorado Age: 47	Director (since 2000)	Senior Vice President of INVESCO Funds Group, Inc.; Senior Vice President of INVESCO Distributors, Inc. Formerly, Senior Vice President of GT Global - North America (1996 to 1998) and The Boston Company (1993 to 1996).	46	Director of INVESCO Funds Group, Inc. and INVESCO Distributors, Inc.

UNAUDITED

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH COMPANY, TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS*	NUMBER OF FUNDS IN FUND COMPLEX	OTHER DIRECTORSHIPS HELD BY DIRECTOR
Glen A. Payne 4350 South Monaco Street Denver, Colorado Age: 54	Secretary	Senior Vice President, General Counsel and Secretary of INVESCO Funds Group, Inc.; Senior Vice President, Secretary and General Counsel of INVESCO Distributors, Inc. Formerly, Secretary of INVESCO Global Health Sciences Fund; General Counsel of INVESCO Trust Company (1989 to 1998); and employee of a U.S. regulatory agency, Washington, D.C. (1973 to 1989).		
Ronald L. Grooms 4350 South Monaco Street Denver, Colorado Age: 55	Chief Accounting Officer, Chief Financial Officer and Treasurer	Senior Vice President, and Treasurer INVESCO Funds Group, Inc.; and Senior Vice President and Treasurer of INVESCO Distributors, Inc. Formerly, Treasurer and Principal Financial and Accounting Officer of INVESCO Global Health Sciences Fund; and Senior Vice President and Treasurer of INVESCO Trust Company (1988 to 1998).		Director of INVESCO Funds Group, Inc. and INVESCO Distributors, Inc.
William J. Galvin, Jr. 4350 South Monaco Street Denver, Colorado Age: 45	Assistant Secretary	Senior Vice President and Assistant Secretary INVESCO Funds Group, Inc.; and Senior Vice President and Assistant Secretary INVESCO Distributors, Inc. Formerly, Trust Officer of INVESCO Trust Company (1995 to 1998).		Director of INVESCO Funds Group, Inc. and INVESCO Distributors, Inc.
Pamela J. Piro 4350 South Monaco Street Denver, Colorado Age: 41	Assistant Treasurer	Vice President and Assistant Treasurer of INVESCO Funds Group, Inc.; and Assistant Treasurer of INVESCO Distributors, Inc. Formerly, Assistant Vice President (1996 to 1997).		
Tane T. Tyler 4350 South Monaco Street Denver, Colorado Age: 36	Assistant Secretary (since 2002)	Vice President and Assistant General Counsel of INVESCO Funds Group, Inc.		

* Except as otherwise indicated, each individual has held the position(s) shown for at least the last five years.

The Statement of Additional Information ("SAI") includes additional information about Fund directors and is available, without charge, upon request. To obtain a free copy of the current SAI, call 1-800-525-8085.

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INVESCO Distributors, Inc.,SM Distributor
Post Office Box 173706
Denver, Colorado 80217-3706

This information must be preceded or accompanied by a current prospectus. We encourage you to obtain from your advisor a personal illustration of historical performance which reflects the cost of the insurance protection from the insurance company.

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SCUDDER
INVESTMENTS

Scudder Variable Series I

Annual Report
December 31, 2001

An open-end management investment company that offers shares of beneficial interest in six types of diversified portfolios.

Contents

Letter from the Fund's President

Linda C. Coughlin
President
Scudder Variable
Series I

Dear Shareholders,

The past two years have been exceptionally challenging for equity investors. When stock prices first began to slide in early 2000, many investors expected the powerful bull market that characterized most of the 1990s to quickly regain its strength and again carry equities to new highs. However, the combination of slower economic growth, weaker corporate earnings, and the tragic events of September 11 took a toll on stock prices. Although stocks staged an impressive rally during the fourth quarter, the U.S. equity market finished 2001 with a loss for the second year in a row, something that last happened in 1974. Overseas stocks also produced a poor performance.

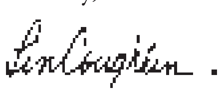
Meanwhile, bonds experienced a strong year in 2001. Treasury issues were boosted by the prospects of slower economic growth, as rising unemployment, falling consumer confidence, and reduced capital spending by U.S. corporations prompted the Federal Reserve to cut interest rates eleven times during the course of the year. In the corporate sector, some individual issues were hurt by credit concerns, but overall the sector produced a steady return.

Among the lessons the stock market correction (and concurrent rally in bonds) has taught us is that diversification remains very important, particularly in periods of market turmoil. For this reason, we encourage you to remain focused on the importance of holding a wide range of asset classes in your portfolio, even at the times when one or more of your investments may be losing value.

We also encourage investors to remain focused on the long term despite the day-to-day fluctuations of the stock market. While we expect that the unusual volatility of the past two years will remain with us for some time to come, we believe the outlook for the year ahead is positive. Economic downturns are never welcome, of course, but they can lead to a reduction of the excesses that are built up during a boom. Individuals and businesses are likely to react to a weaker economy by rapidly correcting the imbalances that have built up over the past several years. While this may hurt in the short term, it should brighten the medium- to longer-term outlook. We believe Americans will quickly put their houses in order, setting the stage for another expansion in late 2002. In conjunction with lower interest rates, we expect this will support improved stock market performance in the year ahead.

Thank you for your continued investment in Scudder Variable Series I.

Sincerely,



Linda C. Coughlin
President
Scudder Variable Series I

Growth and Income Portfolio

Dear Shareholders,

Amid a difficult environment for stocks during 2001, the Growth and Income Portfolio — which stays fully invested in equities and will therefore rise and fall along with the U.S. market — produced a negative return. However, we accomplished our primary goal of outperforming the broader market and similar funds during the period. We seek to fulfill this objective by using a disciplined, multistep process to invest in large-company stocks that we believe possess attractive fundamental characteristics, but whose prices do not fully reflect their positive outlook. At the same time, we seek to manage risk by diversifying the portfolio among both "growth" and "value" stocks across a wide range of industries.

This approach helped the portfolio produce a competitive performance amid a weak market environment. Over the 12 months ended December 31, 2001, the Growth and Income Portfolio (Class A shares) returned –11.30 percent, compared with –11.87 percent for the S&P 500 index and the –12.94 average return for other funds in its Lipper peer group, Variable Large-Cap Core portfolios. Performance was boosted by stock selection within the health care sector, where the portfolio was helped by positions in Genzyme and medical equipment and supply companies such as Baxter Labs and Biomet. (We sold our position in Baxter Labs during the period.) In the technology sector, our decision to emphasize software and semiconductor (computer chip) stocks over the weaker-performing hardware and communication services areas also provided a boost. The portfolio's underweight position in utilities supplied an additional lift to relative performance. On the downside, the portfolio was hurt by stock selection within the consumer discretionary area and an underweight position in industrials.

From a strategic standpoint, we have been seeking to take advantage of opportunities in more economically sensitive stocks for which our research shows that prices do not accurately reflect the potential improvement in their fundamentals. Although earnings in some sectors remain well below normal at present, we believe that our three-step process has allowed us to uncover a number of stocks whose earnings are poised to increase. The portfolio now holds an increased weighting in technology, where we have recently added companies such as PeopleSoft and Lucent, as well in cyclical stocks, where we have purchased United Technologies and Illinois Tool. At the same time, we have reduced the portfolio's exposure to more defensive areas where we believe earnings have been above normal, such as energy and utilities.

Our outlook on the economy and the stock market has grown increasingly optimistic throughout 2001. In the past three months, in particular, we have seen numerous signs that point to an improved environment. First, valuations remain attractive for many individual stocks despite the strong rally in the major market averages. Second, we believe an environment of potentially stronger growth in 2002 — in addition to significant cost-cutting efforts by many U.S. corporations — will help boost corporate profits. And third, short-term interest rates have fallen significantly as the Federal Reserve has been very aggressive in its efforts to revive the economy. We expect that this combination of factors will help foster an increasingly positive backdrop for stocks in 2002.

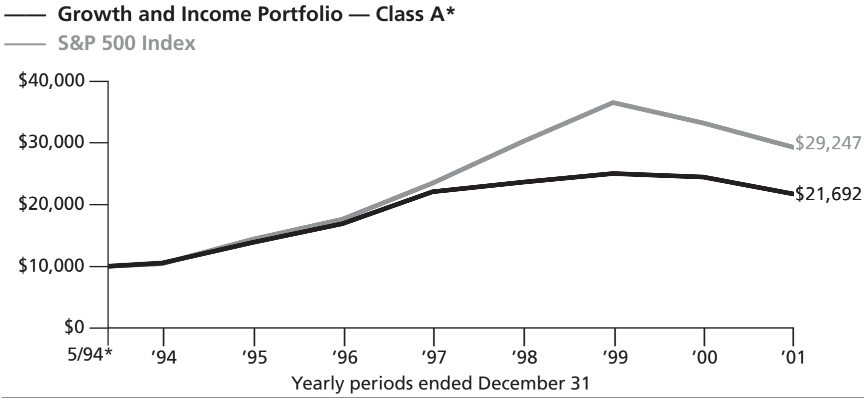
Sincerely,
Your Portfolio Management Team

Kathleen T. Millard
Lead Portfolio Manager

Gregory S. Adams
Portfolio Manager

Growth and Income Portfolio

Growth of an Assumed $10,000 Investment



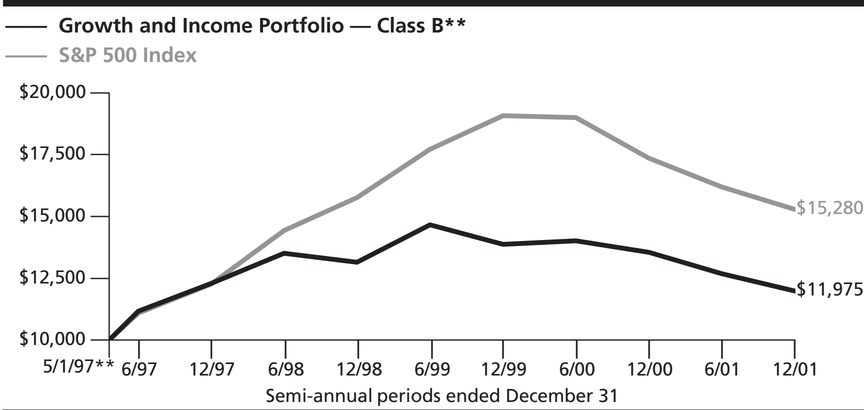
The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

		1-Year	3-Year	5-Year	Life of Portfolio*
Growth and Income Portfolio — Class A*	Growth of $10,000	$8,870	$9,187	$12,848	$21,692
	Average annual total return	–11.30%	–2.79%	5.14%	10.63%
S&P 500 Index	Growth of $10,000	$8,813	$9,696	$16,626	$29,247
	Average annual total return	–11.87%	–1.02%	10.70%	15.02%

* *The Portfolio commenced operations on May 2, 1994. Index comparisons begin April 30, 1994. On May 1, 1997, existing shares were redesignated as Class A shares. Total returns for the Life of Portfolio for Class A would have been lower if the Portfolio's expenses were not maintained.*

Growth of an Assumed $10,000 Investment



The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

		1-Year	3-Year	Life of Portfolio**
Growth and Income Portfolio — Class B**	Growth of $10,000	$8,844	$9,112	$11,975
	Average annual total return	–11.56%	–3.05%	3.94%
S&P 500 Index	Growth of $10,000	$8,813	$9,696	$15,280
	Average annual total return	–11.87%	–1.02%	9.51%

** *The Portfolio commenced selling Class B shares on May 1, 1997. Index comparisons begin April 30, 1997.*

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.

Investments in funds involve risk. Some funds have more risk than others. These include funds that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in emerging market countries). Please read this fund's prospectus for specific details regarding its investments and risk profile.

Growth and Income Portfolio

Asset Allocation	12/31/01	12/31/00
Common Stocks	95%	95%
Cash Equivalents	5%	5%
	100%	100%

Sector Diversification (Excludes Cash Equivalents)	12/31/01	12/31/00
Financial	19%	23%
Technology	17%	13%
Health	15%	13%
Manufacturing	9%	8%
Consumer Discretionary	8%	5%
Energy	8%	9%
Communications	7%	7%
Consumer Staples	7%	9%
Service Industries	4%	—
Media	3%	5%
Other	3%	8%
	100%	100%

Ten Largest Equity Holdings (27.0% of Portfolio)	
1. **Microsoft Corp.** Developer of computer software	3.6%
2. **Citigroup, Inc.** Provider of diversified financial services	3.4%
3. **General Electric Co.** Manufacturer and developer of products involved in the utilization of electricity	3.0%
4. **Johnson & Johnson** Provider of health care products	2.8%
5. **Bank of America Corp.** Provider of commercial banking services	2.8%
6. **Exxon Mobil Corp.** Explorer and producer of oil and gas	2.6%
7. **American Home Products Corp.** Manufacturer and retailer of pharmaceuticals and consumer health care products	2.4%
8. **Intel Corp.** Designer, manufacturer, and seller of computer components and related products	2.2%
9. **American International Group, Inc.** Provider of insurance services	2.1%
10. **Home Depot, Inc.** Operator of building materials and home improvement stores	2.1%

Asset allocation, sector diversification and holdings are subject to change.

A quarterly Fund Summary and Portfolio Holdings are available upon request.

Growth and Income Portfolio

	Shares	Value ($)
Common Stocks 94.9%		
Communications 6.9%		
Cellular Telephone 2.2%		
AT&T Wireless Services, Inc.*	142,800	2,052,036
Nokia Oyj (ADR)	89,900	2,205,247
		4,257,283
Telephone / Communications 4.7%		
BellSouth Corp.	27,200	1,037,680
SBC Communications, Inc.	54,580	2,137,899
Sprint Corp.	122,600	2,461,808
Verizon Communications, Inc.	72,172	3,425,283
		9,062,670
Consumer Discretionary 7.6%		
Department & Chain Stores 6.1%		
Home Depot, Inc.	80,400	4,101,204
May Department Stores Co.	38,500	1,423,730
TJX Companies, Inc.	60,200	2,399,572
Wal-Mart Stores, Inc.	69,900	4,022,745
		11,947,251
Recreational Products 0.8%		
Mattel, Inc.	89,300	1,535,960
Specialty Retail 0.7%		
Staples, Inc.*	67,000	1,252,900
Consumer Staples 6.3%		
Alcohol & Tobacco 1.8%		
Anheuser-Busch Companies, Inc.	77,900	3,521,859
Food & Beverage 3.6%		
Albertson's, Inc.	56,200	1,769,738
Campbell Soup Co.	29,500	881,165
PepsiCo, Inc.	48,500	2,361,465
Unilever NV (New York shares)	33,200	1,912,652
		6,925,020
Package Goods / Cosmetics 0.9%		
Avon Products, Inc.	36,900	1,715,850
Durables 2.8%		
Aerospace 1.1%		
United Technologies Corp.	32,200	2,081,086
Automobiles 1.0%		
Delphi Automotive Systems Corp.	71,100	971,226
General Motors Corp.	19,700	957,420
		1,928,646
Telecommunications Equipment 0.7%		
Lucent Technologies, Inc.	225,600	1,419,024

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Energy 7.1%		
Oil & Gas Production 0.9%		
Burlington Resources, Inc.	48,300	1,813,182
Oil / Gas Transmission 0.7%		
Exelon Corp.	29,850	1,429,218
Oil Companies 5.5%		
ChevronTexaco Corp.	24,500	2,195,445
Exxon Mobil Corp.	127,114	4,995,580
Royal Dutch Petroleum Co. (New York shares)	39,800	1,950,996
Total Fina ELF SA (ADR)	22,190	1,558,626
		10,700,647
Financial 17.9%		
Banks 6.5%		
Bank of America Corp.	86,600	5,451,470
Bank One Corp.	85,600	3,342,680
FleetBoston Financial Corp.	44,500	1,624,250
Wachovia Corp.	71,500	2,242,240
		12,660,640
Consumer Finance 4.1%		
Citigroup, Inc.	129,300	6,527,064
Household International, Inc.	25,300	1,465,882
		7,992,946
Insurance 2.1%		
American International Group, Inc.	52,500	4,168,500
Other Financial Companies 5.2%		
Fannie Mae	35,300	2,806,350
Lehman Brothers Holdings, Inc.	36,300	2,424,840
Marsh & McLennan Companies, Inc.	22,200	2,385,390
Morgan Stanley Dean Witter & Co.	46,100	2,578,834
		10,195,414
Health 14.1%		
Biotechnology 1.9%		
Biogen, Inc.*	24,000	1,376,400
Genzyme Corp. (General Division)*	38,100	2,280,666
		3,657,066
Medical Supply & Specialty 2.2%		
Biomet, Inc.	46,850	1,447,665
Guidant Corp.*	57,900	2,883,420
		4,331,085
Pharmaceuticals 10.0%		
Abbott Laboratories	58,300	3,250,224
American Home Products Corp.	77,500	4,755,400
Bristol-Myers Squibb Co.	32,200	1,642,200
Eli Lilly & Co.	24,200	1,900,668
Johnson & Johnson	92,600	5,472,660
Pfizer, Inc.	62,400	2,486,640
		19,507,792

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Manufacturing 8.5%		
Chemicals 1.1%		
Dow Chemical Co.	65,100	2,199,078
Containers & Paper 1.6%		
International Paper Co.	76,900	3,102,915
Diversified Manufacturing 5.2%		
General Electric Co.	146,400	5,867,712
Illinois Tool Works, Inc.	27,400	1,855,528
Tyco International Ltd.	39,400	2,320,660
		10,043,900
Machinery / Components / Controls 0.6%		
Ingersoll-Rand Co.	27,100	1,133,051
Media 2.8%		
Broadcasting & Entertainment 1.6%		
AOL Time Warner, Inc.*	60,200	1,932,420
Walt Disney Co.	63,600	1,317,792
		3,250,212
Cable Television 1.2%		
Comcast Corp. "A"*	63,000	2,268,000
Service Industries 3.8%		
EDP Services 1.2%		
Automatic Data Processing, Inc.	40,500	2,385,450
Environmental Services 1.0%		
Waste Management, Inc.	61,200	1,952,892
Miscellaneous Consumer Services 0.6%		
eBay, Inc.*	16,100	1,077,090
Printing / Publishing 1.0%		
McGraw-Hill, Inc.	31,900	1,945,262
Technology 16.0%		
Computer Software 6.5%		
Intuit, Inc.*	37,900	1,620,604
Microsoft Corp.*	105,600	6,998,112
Oracle Corp.*	113,600	1,568,816
PeopleSoft, Inc.*	64,400	2,588,880
		12,776,412
Electronic Components / Distributors 1.1%		
Cisco Systems, Inc.*	118,600	2,147,846
Electronic Data Processing 2.6%		
Dell Computer Corp.*	43,500	1,182,330
International Business Machines Corp.	31,700	3,834,432
		5,016,762
Precision Instruments 0.6%		
Agilent Technologies, Inc.*	39,100	1,114,741

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Semiconductors 5.2%		
Altera Corp.*	53,400	1,133,148
Applied Materials, Inc.*	65,100	2,610,510
Intel Corp.	134,400	4,226,880
Texas Instruments, Inc.	74,000	2,072,000
		10,042,538
Transportation 1.1%		
Railroads		
Union Pacific Corp.	37,100	2,114,700
Total Common Stocks (Cost $177,335,693)		**184,674,888**

	Principal Amount ($)	Value ($)
Cash Equivalents 5.1%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $9,958,218)	9,958,218	**9,958,218**
Total Investment Portfolio — 100.0% (Cost $187,293,911) (a)		**194,633,106**

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $188,221,851. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $6,411,255. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $16,383,218 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $9,971,963.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The unaudited rate shown is the annualized seven-day yield at period end.*

Purchases and sales of investment securities (excluding short-term investments), for the year ended December 31, 2001, aggregated $137,749,499 and $120,596,926, respectively.

At December 31, 2001, the Growth and Income Portfolio had a net tax basis capital loss carryforward of approximately $12,650,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009, the expiration date.

From November 1, 2001 through December 31, 2001, the Growth and Income Portfolio incurred approximately $1,549,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2002.

The accompanying notes are an integral part of the financial statements.

Growth and Income Portfolio

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $187,293,911)	$	194,633,106
Cash		10,000
Receivable for investments sold		267,850
Dividends receivable		128,505
Interest receivable		14,242
Receivable for Portfolio shares sold		486,654
Foreign taxes recoverable		9,072
Total assets		195,549,429
Liabilities		
Payable for investments purchased		65,768
Payable for Portfolio shares redeemed		135,131
Accrued management fee		76,134
Other accrued expenses and payables		49,643
Total liabilities		326,676
Net assets, at value	**$**	**195,222,753**
Net Assets		
Net assets consist of: Undistributed net investment income		1,578,675
Net unrealized appreciation (depreciation) on investments		7,339,195
Accumulated net realized gain (loss)		(15,127,151)
Paid-in capital		201,432,034
Net assets, at value	**$**	**195,222,753**
Class A **Net Asset Value,** offering and redemption price per share ($185,363,761 ÷ 20,820,420 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.90**
Class B **Net Asset Value,** offering and redemption price per share ($9,858,992 ÷ 1,111,138 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.87**

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:	
Dividends (net of foreign taxes withheld of $37,161)	$ 2,486,203
Interest	315,739
Total Income	2,801,942
Expenses:	
Management fee	886,970
Custodian fees	16,391
Accounting fees	69,932
Distribution service fees (Class B)	27,833
Auditing	19,200
Legal	3,076
Trustees' fees and expenses	29,109
Reports to shareholders	12,364
Registration fees	10,620
Other	12,841
Total expenses, before expense reductions	1,088,336
Expense reductions	(20,048)
Total expenses, after expense reductions	1,068,288
Net investment income (loss)	**1,733,654**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	(14,749,658)
Net unrealized appreciation (depreciation) during the period on investments	(10,169,732)
Net gain (loss) on investment transactions	**(24,919,390)**
Net increase (decrease) in net assets resulting from operations	**$ (23,185,736)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 1,733,654	$ 2,120,107
Net realized gain (loss) on investment transactions	(14,749,658)	7,828,329
Net unrealized appreciation (depreciation) on investment transactions during the period	(10,169,732)	(14,888,551)
Net increase (decrease) in net assets resulting from operations	(23,185,736)	(4,940,115)
Distributions to shareholders from:		
Net investment income:		
Class A	(2,100,713)	(2,612,109)
Class B	(109,015)	(162,390)
Net realized gains:		
Class A	(3,956,573)	(3,459,899)
Class B	(262,846)	(256,077)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	72,967,624	63,758,174
Reinvestment of distributions	6,057,286	6,072,008
Cost of shares redeemed	(50,740,817)	(74,310,785)
Net increase (decrease) in net assets from Class A share transactions	28,284,093	(4,480,603)
Class B		
Proceeds from shares sold	614,981	3,915,299
Reinvestment of distributions	371,861	418,467
Cost of shares redeemed	(2,209,623)	(4,350,271)
Net increase (decrease) in net assets from Class B share transactions	(1,222,781)	(16,505)
Increase (decrease) in net assets	(2,553,571)	(15,927,698)
Net assets at beginning of period	197,776,324	213,704,022
Net assets at end of period (including undistributed net investment income of $1,578,675 and $2,108,206, respectively)	**$ 195,222,753**	**$ 197,776,324**

Other Information

Class A		
Shares outstanding at beginning of period	17,799,855	18,237,831
Shares sold	7,936,186	5,960,868
Shares issued to shareholders in reinvestment of distributions	629,903	568,374
Shares redeemed	(5,545,524)	(6,967,218)
Net increase (decrease) in Portfolio shares	3,020,565	(437,976)
Shares outstanding at end of period	**20,820,420**	**17,799,855**
Class B		
Shares outstanding at beginning of period	1,253,011	1,266,642
Shares sold	65,482	356,199
Shares issued to shareholders in reinvestment of distributions	38,776	39,219
Shares redeemed	(246,131)	(409,049)
Net increase (decrease) in Portfolio shares	(141,873)	(13,631)
Shares outstanding at end of period	**1,111,138**	**1,253,011**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Growth and Income Portfolio

Class A[a]

Years Ended December 31,	2001	2000	1999	1998	1997
Selected Per Share Data					
Net asset value, beginning of period	**$ 10.38**	**$ 10.96**	**$ 11.25**	**$ 11.48**	**$ 9.37**
Income (loss) from investment operations:					
Net investment income[b]	.09	.11	.22	.27	.27
Net realized and unrealized gain (loss) on investment transactions	(1.23)	(.33)	.46	.54	2.47
Total from investment operations	(1.14)	(.22)	.68	.81	2.74
Less distributions from:					
Net investment income	(.12)	(.15)	(.13)	(.25)	(.26)
Net realized gains on investment transactions	(.22)	(.21)	(.84)	(.79)	(.37)
Total distributions	(.34)	(.36)	(.97)	(1.04)	(.63)
Net asset value, end of period	**$ 8.90**	**$ 10.38**	**$ 10.96**	**$ 11.25**	**$ 11.48**
Total Return (%)	(11.30)	(2.10)	5.80	7.18	30.47
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	185	185	200	184	157
Ratio of expenses before expense reductions (%)	.57[c]	.56	.55	.56	.58
Ratio of expenses after expense reductions (%)	.56[c]	.56	.55	.56	.58
Ratio of net investment income (loss) (%)	.94	1.06	2.01	2.41	2.54
Portfolio turnover rate (%)	67	65	65	39	28

Class B

Years Ended December 31,	2001	2000	1999	1998	1997[d]
Selected Per Share Data					
Net asset value, beginning of period	**$ 10.35**	**$ 10.93**	**$ 11.24**	**$ 11.47**	**$ 9.44**
Income (loss) from investment operations:					
Net investment income[b]	.06	.09	.19	.25	.14
Net realized and unrealized gain (loss) on investment transactions	(1.23)	(.33)	.46	.54	2.02
Total from investment operations	(1.17)	(.24)	.65	.79	2.16
Less distributions from:					
Net investment income	(.09)	(.13)	(.12)	(.23)	(.13)
Net realized gains on investment transactions	(.22)	(.21)	(.84)	(.79)	—
Total distributions	(.31)	(.34)	(.96)	(1.02)	(.13)
Net asset value, end of period	**$ 8.87**	**$ 10.35**	**$ 10.93**	**$ 11.24**	**$ 11.47**
Total Return (%)	(11.56)	(2.33)	5.48	6.95	22.89**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	10	13	14	14	7
Ratio of expenses before expense reductions (%)	.82[c]	.81	.80	.79	.80*
Ratio of expenses after expense reductions (%)	.81[c]	.81	.80	.79	.80*
Ratio of net investment income (loss) (%)	.69	.81	1.76	2.20	2.13*
Portfolio turnover rate (%)	67	65	65	39	28

[a] *On May 1, 1997 existing shares were redesignated as Class A shares.*

[b] *Based on average shares outstanding during the period.*

[c] *The ratios of operating expenses excluding costs incurred in connection with the reorganization before and after expense reductions were .56% and .56%, and .81% and .81% for Class A and Class B, respectively.*

[d] *For the period May 1, 1997 (commencement of sales of Class B shares) to December 31, 1997.*

* *Annualized* ** *Not annualized*

Capital Growth Portfolio

Dear Shareholders,

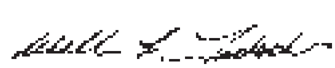
The portfolio faced a difficult environment throughout most of 2001 but did end the year on a very positive note. Last year was particularly challenging for growth oriented portfolios such as ours. Large-cap growth stocks, as measured by the Russell 1000 Growth Index, declined more than 20 percent in 2001 (returning –20.42 percent for the period) and lagged value shares for the second consecutive year. In this environment, the portfolio (Class A shares) produced a total return of –19.36 percent versus a return of –11.87 percent for its unmanaged benchmark, the Standard & Poor's 500 index. During periods in which growth lags significantly, we would expect the portfolio to underperform the S&P 500 but outperform the Russell 1000 Growth Index. This proved to be the case.

In terms of economic sectors, the portfolio's technology holdings had the largest impact on relative performance. This was one of the poorest-performing sectors of the broad market last year as the terrorist attacks worsened the outlook for the sector, which was already weak due to a softening economy and declining profitability. Even though the portfolio's allocation to technology was lower than that of many of its peers, it nevertheless detracted from results. However, these results were mitigated by the relative strength of the portfolio's health care holdings. Many companies in this market sector reconcile nicely with our approach, which seeks higher-quality companies with solid histories of earnings growth and consistency. Some of the portfolio's longer-term holdings, such as Baxter International and Abbott Laboratories, performed quite well. More recent additions to the portfolio such as Johnson & Johnson and Tenet Healthcare also made positive contributions.

Fortunately, the down year ended on a positive note, as U.S. equity markets roared back in the fourth quarter. Investors looked beyond current economic and corporate profit weakness, focusing instead on the government's fiscal and monetary stimulus and success in the war on terrorism — events which, they believed, might lay the foundation for a near-term economic recovery. Growth stocks outperformed value stocks for the quarter by a good margin. As a result of our sticking to our basic discipline, the portfolio captured the strong fourth-quarter advance of growth shares. Technology and energy sectors made the largest positive contributions to relative performance.

We made no major shifts in strategy or positioning during the quarter, as moves made on market weakness earlier in the year left the portfolio well-positioned for the rebound in growth stocks. Overall, the portfolio remains committed to higher-quality companies that have demonstrated superior earnings growth and strong competitive positions.

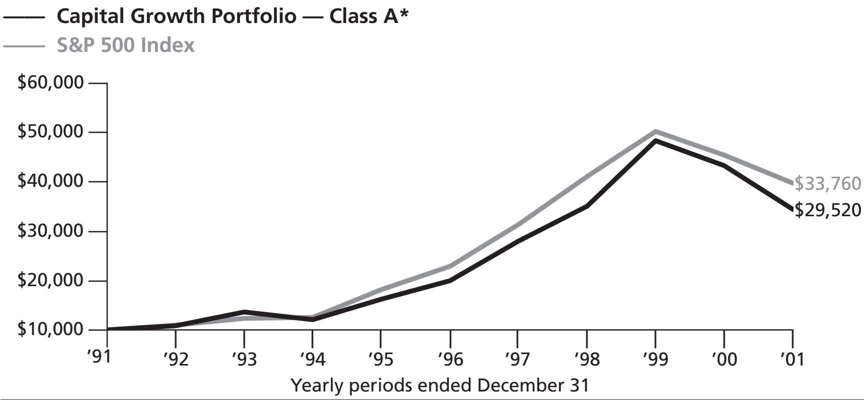
Sincerely,
Your Portfolio Manager



William F. Gadsden
Lead Portfolio Manager

Capital Growth Portfolio

Growth of an Assumed $10,000 Investment



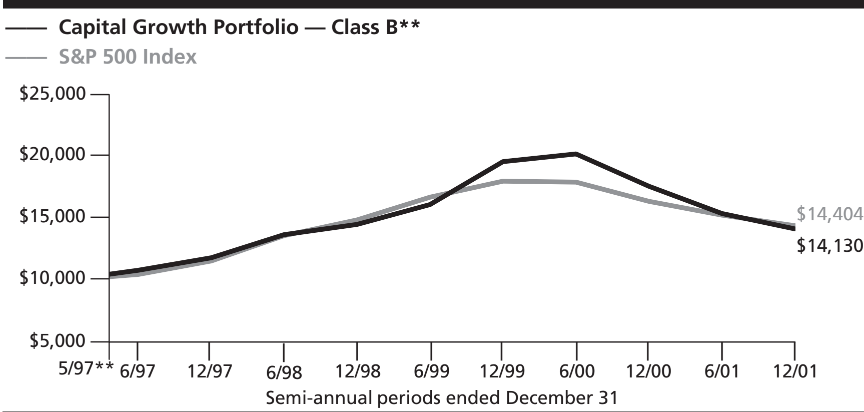
The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

		1-Year	3-Year	5-Year	10-Year
Capital Growth Portfolio — Class A*	Growth of $10,000	$8,064	$9,826	$16,438	$29,520
	Average annual total return	–19.36%	–.58%	10.45%	11.43%
S&P 500 Index	Growth of $10,000	$8,813	$9,696	$16,626	$33,760
	Average annual total return	–11.87%	–1.02%	10.70%	12.94%

* *On May 12, 1997, existing shares were redesignated as Class A shares.*

Growth of an Assumed $10,000 Investment



The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

		1-Year	3-Year	Life of Portfolio**
Capital Growth Portfolio — Class B**	Growth of $10,000	$8,036	$9,741	$14,130
	Average annual total return	–19.64%	–.87%	7.74%
S&P 500 Index	Growth of $10,000	$8,813	$9,696	$14,404
	Average annual total return	–11.87%	–1.02%	8.29%

** *The Portfolio commenced selling Class B shares on May 12, 1997. Index comparisons begin May 31, 1997.*

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.

Investments in funds involve risk. Some funds have more risk than others. These include funds that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in emerging market countries). Please read this fund's prospectus for specific details regarding its investments and risk profile.

Capital Growth Portfolio

Asset Allocation	12/31/01	12/31/00
Common Stocks	96%	98%
Cash Equivalents	4%	2%
	100%	100%

Sector Diversification (Excludes Cash Equivalents)	12/31/01	12/31/00
Technology	23%	23%
Health	21%	19%
Financial	13%	10%
Consumer Discretionary	9%	5%
Media	8%	7%
Manufacturing	7%	7%
Consumer Staples	7%	8%
Energy	7%	8%
Service Industries	2%	—
Communications	2%	7%
Other	1%	6%
	100%	100%

Ten Largest Equity Holdings (33.6% of Portfolio)	
1. **Microsoft Corp.** Developer of computer software	4.5%
2. **General Electric Co.** Manufacturer and developer of products involved in the utilization of electricity	4.0%
3. **Pfizer, Inc.** Manufacturer of prescription pharmaceuticals and non-prescription self-medications	4.0%
4. **Intel Corp.** Designer, manufacturer and seller of computer components and related products	3.6%
5. **International Business Machines Corp.** Manufacturer and operator of computer and business equipment	3.4%
6. **Wal-Mart Stores, Inc.** Operator of discount stores	3.0%
7. **American International Group, Inc.** Provider of insurance services	3.0%
8. **Home Depot, Inc.** Operator of building materials and home improvement stores	2.9%
9. **Johnson & Johnson** Provider of health care products	2.6%
10. **Schlumberger Ltd.** Producer of oil field services	2.6%

Asset allocation, sector diversification and holdings are subject to change.
A quarterly Fund Summary and Portfolio Holdings are available upon request.

Capital Growth Portfolio

	Shares	Value ($)
Common Stocks 96.2%		
Communications 1.9%		
Cellular Telephone 1.2%		
AT&T Wireless Services, Inc.*	718,200	10,320,534
Telephone / Communications 0.7%		
BroadWing, Inc.*	458,200	4,352,900
JDS Uniphase Corp.*	156,500	1,366,245
		5,719,145
Consumer Discretionary 9.0%		
Department & Chain Stores 7.9%		
Home Depot, Inc.	492,250	25,109,673
Target Corp.	423,200	17,372,360
Wal-Mart Stores, Inc.	454,400	26,150,720
		68,632,753
Recreational Products 1.1%		
Acclaim Entertainment, Inc. (Warrants)*	10,284	—
Harley-Davidson, Inc.	172,700	9,379,337
		9,379,337
Consumer Staples 6.3%		
Food & Beverage 2.7%		
Coca-Cola Co.	200,500	9,453,575
PepsiCo, Inc.	290,700	14,154,183
		23,607,758
Package Goods / Cosmetics 3.6%		
Colgate-Palmolive Co.	282,900	16,337,475
Procter & Gamble Co.	191,800	15,177,134
		31,514,609
Durables 1.5%		
Aerospace 1.3%		
United Technologies Corp.	175,900	11,368,417
Telecommunications Equipment 0.2%		
CIENA Corp.*	127,400	1,823,094
Energy 6.3%		
Oil & Gas Production 3.7%		
Anadarko Petroleum Corp.	226,500	12,876,525
EOG Resources, Inc.	206,300	8,068,393
Nabors Industries, Inc.*	329,000	11,294,570
		32,239,488
Oilfield Services / Equipment 2.6%		
Schlumberger Ltd.	405,900	22,304,205
Financial 12.6%		
Banks 1.4%		
State Street Corp.	227,200	11,871,200

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Consumer Finance 3.3%		
American Express Co.	190,800	6,809,652
Citigroup, Inc.	437,533	22,086,666
		28,896,318
Insurance 3.0%		
American International Group, Inc.	323,102	25,654,299
Other Financial Companies 4.9%		
Fannie Mae	158,900	12,632,550
Franklin Resources, Inc.	164,200	5,791,334
Goldman Sachs Group, Inc.	62,900	5,833,975
Marsh & McLennan Companies, Inc.	57,800	6,210,610
Merrill Lynch & Co., Inc.	223,400	11,643,608
		42,112,077
Health 20.5%		
Biotechnology 1.1%		
MedImmune, Inc.*	201,100	9,320,985
Health Industry Services 1.0%		
Laboratory Corp. of America Holdings	103,800	8,392,230
Hospital Management 2.1%		
Tenet Healthcare Corp.*	310,200	18,214,944
Medical Supply & Specialty 3.2%		
Baxter International, Inc.	220,300	11,814,689
Medtronic, Inc.	168,300	8,618,643
Zimmer Holdings, Inc.*	238,990	7,298,755
		27,732,087
Pharmaceuticals 13.1%		
Abbott Laboratories	328,000	18,286,000
Bristol-Myers Squibb Co.	186,900	9,531,900
Eli Lilly & Co.	198,700	15,605,898
Johnson & Johnson	382,100	22,582,110
Merck & Co., Inc.	222,800	13,100,640
Pfizer, Inc.	867,275	34,560,909
		113,667,457
Manufacturing 6.4%		
Diversified Manufacturing		
General Electric Co.	873,000	34,989,840
Tyco International Ltd.	348,500	20,526,650
		55,516,490
Media 7.5%		
Advertising 1.6%		
Omnicom Group, Inc.	160,200	14,313,870
Broadcasting & Entertainment 2.8%		
AOL Time Warner, Inc.*	470,700	15,109,470
Viacom, Inc. "B"*	211,400	9,333,310
		24,442,780
Cable Television 3.1%		
Comcast Corp. "A"*	411,000	14,796,000

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Liberty Media Corp. "A"*	836,400	11,709,600
		26,505,600
Service Industries 2.4%		
EDP Services 1.7%		
Electronic Data Systems Corp.	219,800	15,067,290
Miscellaneous Commercial Services 0.7%		
Siebel Systems, Inc.*	228,100	6,382,238
Technology 21.8%		
Computer Software 6.4%		
Microsoft Corp.*	591,200	39,178,824
Oracle Corp.*	827,500	11,427,775
VERITAS Software Corp.*	113,500	5,087,070
		55,693,669
EDP Peripherals 1.0%		
EMC Corp.*	653,100	8,777,664
Electronic Components / Distributors 2.2%		
Cisco Systems, Inc.*	867,000	15,701,370
Juniper Networks, Inc.*	164,100	3,109,695
		18,811,065
Electronic Data Processing 3.4%		
International Business Machines Corp.	240,800	29,127,168
Semiconductors 8.8%		
Applied Materials, Inc.*	395,200	15,847,520
Intel Corp.	992,800	31,223,560
Linear Technology Corp.	224,000	8,744,960
Micron Technology, Inc.*	183,000	5,673,000
Texas Instruments, Inc.	441,900	12,373,200
Vitesse Semiconductor Corp.*	157,800	1,966,186
		75,828,426
Total Common Stocks (Cost $843,781,953)		**833,237,197**

	Principal Amount ($)	Value ($)
Cash Equivalents 3.8%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $32,918,593)	32,918,593	**32,918,593**
Total Investment Portfolio — 100.0% (Cost $876,700,546) (a)		**866,155,790**

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $877,384,895. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $11,229,105. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $117,121,183 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $128,350,288.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The unaudited rate shown is the annualized seven-day yield at period end.*

Purchases and sales of investment securities (excluding short-term investments), for the year ended December 31, 2001, aggregated $298,699,120 and $350,051,971, respectively.

At December 31, 2001, the Capital Growth Portfolio had a net tax basis capital loss carryforward of approximately $18,038,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009, the expiration date.

From November 1, 2001 through December 31, 2001, the Capital Growth Portfolio incurred approximately $13,990,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2002.

Capital Growth Portfolio

Statement of Assets and Liabilities as of December 31, 2001

Assets	
Investments in securities, at value (cost $876,700,546)	$ 866,155,790
Cash	10,000
Dividends receivable	586,283
Interest receivable	52,005
Receivable for Portfolio shares sold	844,768
Total assets	867,648,846
Liabilities	
Payable for investments purchased	51,954
Payable for Portfolio shares redeemed	429,338
Accrued management fee	333,239
Other accrued expenses and payables	111,257
Total liabilities	925,788
Net assets, at value	**$ 866,723,058**
Net Assets	
Net assets consist of:	
Undistributed net investment income	2,188,549
Net unrealized appreciation (depreciation) on investments	(10,544,756)
Accumulated net realized gain (loss)	(32,712,267)
Paid-in capital	907,791,532
Net assets, at value	**$ 866,723,058**
Class A	
Net Asset Value, offering and redemption price per share ($866,014,734 ÷ 52,934,260 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 16.36**
Class B	
Net Asset Value, offering and redemption price per share ($708,324 ÷ 43,484 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 16.29**

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $12,046)	$	6,079,360
Interest		1,046,203
Total Income		7,125,563
Expenses:		
Management fee		4,293,640
Custodian fees		80,920
Accounting fees		132,101
Distribution fees (Class B)		2,189
Auditing		29,657
Legal		47,446
Trustees' fees and expenses		134,255
Reports to shareholders		50,126
Other		24,368
Total expenses, before expense reductions		4,794,702
Expense reductions		(113,469)
Total expenses, after expense reductions		4,681,233
Net investment income (loss)		**2,444,330**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		(31,976,606)
Net unrealized appreciation (depreciation) during the period on investments		(187,067,213)
Net gain (loss) on investment transactions		**(219,043,819)**
Net increase (decrease) in net assets resulting from operations	**$**	**(216,599,489)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 2,444,330	$ 3,765,887
Net realized gain (loss) on investment transactions	(31,976,606)	116,658,634
Net unrealized appreciation (depreciation) on investment transactions during the period	(187,067,213)	(245,068,780)
Net increase (decrease) in net assets resulting from operations	(216,599,489)	(124,644,259)
Distributions to shareholders from:		
Net investment income:		
Class A	(3,672,763)	(3,035,225)
Class B	(1,237)	—
Net realized gains:		
Class A	(116,304,156)	(149,151,554)
Class B	(113,211)	(177,202)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	227,496,956	255,484,175
Reinvestment of distributions	119,976,919	152,186,779
Cost of shares redeemed	(271,501,874)	(258,368,143)
Net increase (decrease) in net assets from Class A share transactions	75,972,001	149,302,811
Class B		
Proceeds from shares sold	89,688	370,040
Reinvestment of distributions	114,448	177,202
Cost of shares redeemed	(319,464)	(370,753)
Net increase (decrease) in net assets from Class B share transactions	(115,328)	176,489
Increase (decrease) in net assets	(260,834,183)	(127,528,940)
Net assets at beginning of period	1,127,557,241	1,255,086,181
Net assets at end of period (including undistributed net investment income of $2,188,549 and $3,651,924, respectively)	**$ 866,723,058**	**$ 1,127,557,241**

Other Information

	2001	2000
Class A		
Shares outstanding at beginning of period	48,831,124	43,044,031
Shares sold	12,656,460	9,593,674
Shares issued to shareholders in reinvestment of distributions	6,460,793	5,968,108
Shares redeemed	(15,014,117)	(9,774,689)
Net increase (decrease) in Portfolio shares	4,103,136	5,787,093
Shares outstanding at end of period	**52,934,260**	**48,831,124**
Class B		
Shares outstanding at beginning of period	50,385	44,161
Shares sold	4,946	13,466
Shares issued to shareholders in reinvestment of distributions	6,170	6,957
Shares redeemed	(18,017)	(14,199)
Net increase (decrease) in Portfolio shares	(6,901)	6,224
Shares outstanding at end of period	**43,484**	**50,385**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Capital Growth Portfolio

Class A[(a)]

Years Ended December 31,	2001	2000	1999	1998	1997
Selected Per Share Data					
Net asset value, beginning of period	**$ 23.07**	**$ 29.13**	**$ 23.95**	**$ 20.63**	**$ 16.50**
Income (loss) from investment operations:					
Net investment income[b]	.05	.08	.10	.16	.18
Net realized and unrealized gain (loss) on investment transactions	(4.21)	(2.63)	7.64	4.46	5.39
Total from investment operations	(4.16)	(2.55)	7.74	4.62	5.57
Less distributions from:					
Net investment income	(.08)	(.07)	(.07)	(.17)	(.19)
Net realized gains on investment transactions	(2.47)	(3.44)	(2.49)	(1.13)	(1.25)
Total distributions	(2.55)	(3.51)	(2.56)	(1.30)	(1.44)
Net asset value, end of period	**$ 16.36**	**$ 23.07**	**$ 29.13**	**$ 23.95**	**$ 20.63**
Total Return (%)	(19.36)	(9.90)	35.23	23.23	35.76
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	866	1,126	1,254	901	676
Ratio of expenses before expense reductions (%)	.52[c]	.49	.49	.50	.51
Ratio of expenses after expense reductions (%)	.50[c]	.49	.49	.50	.51
Ratio of net investment income (loss) (%)	.27	.30	.43	.75	.96
Portfolio turnover rate (%)	33	55	66	55	42

Class B

Years Ended December 31,	2001	2000	1999	1998	1997[d]
Selected Per Share Data					
Net asset value, beginning of period	**$ 23.00**	**$ 29.05**	**$ 23.92**	**$ 20.61**	**$ 17.54**
Income (loss) from investment operations:					
Net investment income[b]	.00***	.01	.04	.11	.08
Net realized and unrealized gain (loss) on investment transactions	(4.21)	(2.62)	7.62	4.45	3.08
Total from investment operations	(4.21)	(2.61)	7.66	4.56	3.16
Less distributions from:					
Net investment income	(.03)	—	(.04)	(.12)	(.09)
Net realized gains on investment transactions	(2.47)	(3.44)	(2.49)	(1.13)	—
Total distributions	(2.50)	(3.44)	(2.53)	(1.25)	(.09)
Net asset value, end of period	**$ 16.29**	**$ 23.00**	**$ 29.05**	**$ 23.92**	**$ 20.61**
Total Return (%)	(19.64)	(10.13)	34.88	22.94	18.00**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	.71	1.16	1.28	.83	.55
Ratio of expenses before expense reductions (%)	.77[c]	.74	.74	.75	.75*
Ratio of expenses after expense reductions (%)	.75[c]	.74	.74	.75	.75*
Ratio of net investment income (loss) (%)	.02	.05	.18	.49	.64*
Portfolio turnover rate (%)	33	55	66	55	42

[a] *On May 12, 1997 existing shares were redesignated as Class A shares.*

[b] *Based on average shares outstanding during the period.*

[c] *The ratios of operating expenses excluding costs incurred in connection with the reorganization before and after expense reductions were .50% and .50%, and .75% and .75% for Class A and Class B, respectively.*

[d] *For the period May 12, 1997 (commencement of sales of Class B shares) to December 31, 1997.*

* *Annualized*

** *Not annualized*

*** *Less than $.005 per share*

21st Century Growth Portfolio

Dear Shareholders,

An exceptionally volatile year for technology stocks weighed heavily on Scudder 21st Century Growth Portfolio's performance in 2001. The portfolio's total return fell 23.28 percent (A shares), much more than the Russell 2000 Growth Index, an unmanaged group of rapidly growing small-company stocks, which declined 9.23 percent for the year. The portfolio entered the year with a higher concentration in small technology stocks than the index, and through September, some of these companies' stocks plummeted significantly. Technology stocks rebounded in the fourth quarter of 2001 but not enough to offset earlier losses. By that time we had shifted the portfolio's largest focus to health care stocks, which generally performed well.

In 2001, technology companies grappled with three problems: a huge inventory of unsold goods, large write-offs of sour investments, and weak prospects for product demand. Steep declines in corporate capital spending plans reduced demand for software, telecom, and semiconductor products, prompting analysts to slash earnings estimates for many stocks that fit the portfolio's investment discipline. The result was that the short-term corporate profit picture for most technology companies grew grim amid a global economic slowdown. Technology stocks rebounded in the fourth quarter, even as securities analysts further slashed estimates, because earnings targets were set at more realistic levels. Some areas such as teleconferencing also benefited from increased corporate demand after September 11. There were also early signs of a broader economic recovery, and this re-energized the technology-investing climate. Software and semiconductor stocks, two areas hit hard for most of 2001, did especially well in the fourth quarter as corporate customers began to increase software purchases and semiconductor companies experienced a pickup in orders. We believe this trend may continue in 2002.

For 2001 as a whole, energy stocks were another area of weakness for the portfolio. We brought the portfolio's weighting down from 2000 levels, but not fast enough to avoid a sharp decline in this sector's stock prices. Natural gas and oil prices peaked in early winter 2001 amid California's energy crisis and began to fall sharply as spring approached and the global economy weakened, reducing consumer and industrial demand for fuel. In addition, this past autumn was warmer than normal, and inventories of natural gas and petroleum products were high as we entered the fourth quarter. Nevertheless, we believe that the negative dynamics of this sector are temporary, and that energy stocks could begin to post improved results as U.S. and global economic growth recovers. As of December 31, the percentage of the portfolio in energy stocks was about the same as the portfolio's benchmark.

For the year ahead, we expect to maintain a strong position in health care stocks. We believe small-cap pharmaceutical firms could do especially well with medicines tailored to a person's specific biochemistry and genetic makeup. We see more partnerships evolving between large-cap pharmaceutical firms that face patent expirations and small biotech companies that may excel at research but lack the capital resources to shepherd products through a long and expensive regulatory regime and clinical review. We have positioned the portfolio accordingly.

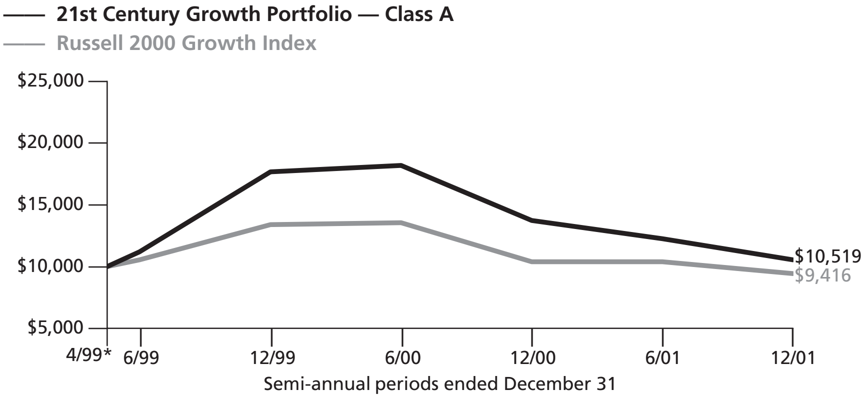
Sincerely,
Your Portfolio Management Team

Peter Chin
Lead Portfolio Manager

Roy C. McKay
Portfolio Manager

21st Century Growth Portfolio

Growth of an Assumed $10,000 Investment

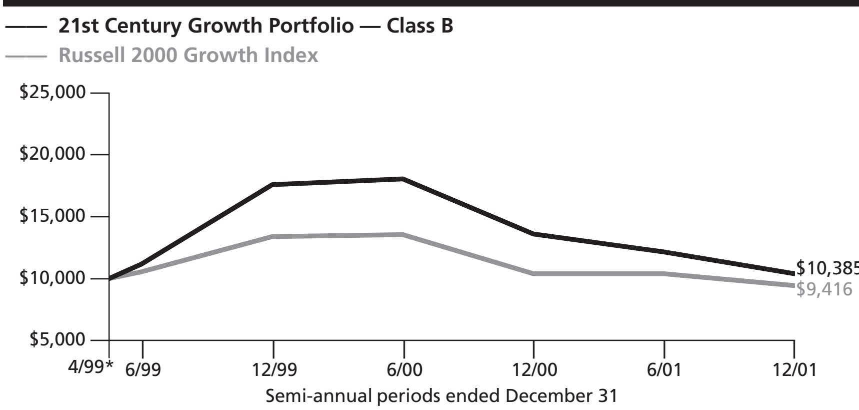


The Russell 2000 Growth Index is an unmanaged capitalization-weighted measure of the 2000 smallest capitalized U.S. companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, AMEX, and Nasdaq. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

		1-Year	Life of Portfolio*
21st Century Growth Portfolio — Class A	Growth of $10,000	$7,672	$10,519
	Average annual total return	–23.28%	1.92%
Russell 2000 Growth Index	Growth of $10,000	$9,077	$9,416
	Average annual total return	–9.23%	–2.23%

Growth of an Assumed $10,000 Investment



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Comparative Results

		1-Year	Life of Portfolio*
21st Century Growth Portfolio — Class B	Growth of $10,000	$7,649	$10,385
	Average annual total return	–23.51%	1.43%
Russell 2000 Growth Index	Growth of $10,000	$9,077	$9,416
	Average annual total return	–9.23%	–2.23%

** The Portfolio commenced operations on May 3, 1999. Index comparisons begin April 30, 1999.*

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased. Total returns for the Life of Portfolio for Class A and B shares would have been lower if the Portfolio's expenses were not maintained.

Investments in funds involve risk. Some funds have more risk than others. These include funds that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in emerging market countries). Please read this fund's prospectus for specific details regarding its investments and risk profile.

21st Century Growth Portfolio

Asset Allocation	12/31/01	12/31/00
Common Stocks	86%	91%
Cash Equivalents	14%	9%
	100%	100%

Sector Diversification (Excludes Cash Equivalents)	12/31/01	12/31/00
Technology	33%	24%
Health	26%	16%
Service Industries	6%	6%
Consumer Discretionary	6%	7%
Energy	6%	21%
Manufacturing	5%	13%
Durables	4%	2%
Financial	4%	—
Media	4%	3%
Construction	3%	3%
Other	3%	5%
	100%	100%

Ten Largest Equity Holdings (24.1% of Portfolio)	
1. **Radio One, Inc.** Provider of radio broadcasting	3.2%
2. **Copart, Inc.** Auctioneer of damaged vehicles for insurance companies	3.2%
3. **UTStarcom, Inc.** Provider of telecommunications equipment	2.7%
4. **Advent Software, Inc.** Provider of stand-alone and client/server software products	2.5%
5. **Celgene Corp.** Producer of pharmaceuticals	2.5%
6. **Charles River Laboratories International, Inc.** Provider of research tools and services for drug discovery	2.2%
7. **NPS Pharmaceuticals, Inc.** Developer of small molecule drugs	2.2%
8. **Cree Research, Inc.** Designer, developer and manufacturer of silicon carbide based semiconductor materials	2.0%
9. **Mercury Interactive Corp.** Producer of automated software testing tools	1.8%
10. **SmartForce PLC** Provider of educational software on the Internet	1.8%

Asset allocation, sector diversification and holdings are subject to change.

A quarterly Fund Summary and Portfolio Holdings are available upon request.

21st Century Growth Portfolio

	Shares	Value ($)
Common Stocks 86.2%		
Communications 1.5%		
Cellular Telephone 1.0%		
Metro One Telecommunications, Inc.*	15,600	471,900
Telephone / Communications 0.5%		
SBA Communications Corp.*	20,400	265,608
Construction 2.2%		
Building Materials 0.9%		
Simpson Manufacturing Co., Inc.*	8,000	458,400
Building Products 1.3%		
CoStar Group, Inc.*	26,700	641,067
Consumer Discretionary 5.4%		
Apparel & Shoes 1.5%		
Too, Inc.*	27,200	748,000
Department & Chain Stores 0.9%		
Hot Topic, Inc.*	14,400	452,016
Recreational Products 1.0%		
International Game Technology*	7,400	505,420
Restaurants 2.0%		
Buca, Inc.*	33,200	538,172
California Pizza Kitchen, Inc.*	16,800	415,800
		953,972
Consumer Staples 0.7%		
Food & Beverage		
Suprema Specialties, Inc.* (c)	23,900	155,350
United Natural Foods, Inc.*	6,800	170,000
		325,350
Durables 3.3%		
Telecommunications Equipment		
Harris Corp.	9,800	298,998
UTStarcom, Inc.*	45,700	1,302,450
		1,601,448
Energy 4.9%		
Engineering 0.5%		
Active Power, Inc.*	37,400	254,320
Oil & Gas Production 2.0%		
Pioneer Natural Resources Co.*	27,600	531,576
Swift Energy Co.*	22,500	454,500
		986,076
Oilfield Services / Equipment 2.4%		
Spinnaker Exploration Co.*	10,000	411,600
Universal Compression Holdings, Inc.*	25,000	737,250
		1,148,850

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Financial 3.2%		
Banks 1.1%		
Sterling Bancshares, Inc.	1,000	12,520
UCBH Holdings, Inc.	18,200	517,608
		530,128
Insurance 2.1%		
Annuity and Life Re (Holdings) Ltd.	19,600	492,156
Philadelphia Consolidated Holding Corp.*	13,700	516,627
		1,008,783
Health 22.5%		
Biotechnology 6.8%		
CryoLife, Inc.*	28,000	840,000
Digene Corp.*	13,700	404,150
Harvard Bioscience, Inc.*	67,200	667,968
ILEX Oncology, Inc.*	18,000	486,720
Integra LifeSciences Holdings*	11,700	308,178
Regeneration Technologies*	60,100	612,419
		3,319,435
Health Industry Services 2.9%		
Accredo Health, Inc.*	12,100	480,370
Apria Healthcare Group, Inc.*	12,300	307,377
Centene Corp.*	2,300	50,485
Omnicell, Inc.*	33,500	298,150
Unilab Corp.*	11,100	278,610
		1,414,992
Hospital Management 1.1%		
Province Healthcare Co.*	17,000	524,620
Medical Supply & Specialty 2.8%		
American Medical Systems Holdings, Inc.*	34,000	703,460
Endocare, Inc.*	16,600	297,638
SurModics, Inc.*	5,800	211,468
TheraSense, Inc.*	6,700	166,160
		1,378,726
Pharmaceuticals 8.9%		
American Pharmaceutical, Inc.*	5,800	120,640
Celegne Corp.*	37,900	1,209,768
Charles River Laboratories International, Inc.*	32,400	1,084,752
Genta, Inc.*	30,100	428,323
NPS Pharmaceuticals, Inc.*	27,500	1,053,250
Specialty Laboratories, Inc.*	15,500	426,095
		4,322,828
Manufacturing 3.9%		
Industrial Specialty 1.9%		
Global Power Equipment Group, Inc.*	21,600	325,080
Polycom, Inc.*	18,000	619,200
		944,280

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Machinery / Components / Controls 2.0%		
Intier Automotive, Inc.	13,800	175,674
Lantronix, Inc. "A"*	69,700	440,504
SureBeam Corp.*	31,800	332,946
		949,124
Media 3.2%		
Broadcasting & Entertainment		
Radio One, Inc. "D"*	86,100	1,550,661
Service Industries 5.6%		
Miscellaneous Commercial Services 4.4%		
Copart, Inc.*	42,200	1,534,814
Kinder Morgan Management LLC	16,119	610,928
		2,145,742
Miscellaneous Consumer Services 1.2%		
Edison Schools, Inc.*	30,800	605,220
Technology 28.5%		
Computer Software 12.4%		
Activision, Inc.*	25,000	650,250
Advent Software, Inc.*	24,600	1,228,770
Caminus Corp.*	22,100	508,300
DigitalThink, Inc.*	7,200	77,760
I-many, Inc.*	70,800	683,220
Nassda Corp.*	1,100	24,739
NetScreen Technologies, Inc.*	2,400	53,112
PLATO Learning, Inc.*	44,767	743,574
SmartForce PLC (ADR)*	36,300	898,425
THQ, Inc.*	12,400	601,028
Witness Systems, Inc.*	40,600	540,792
		6,009,970
EDP Peripherals 1.8%		
Mercury Interactive Corp.*	26,500	900,470
Electronic Data Processing 2.0%		
Internet Security Systems, Inc.*	14,100	452,046
The Intercept Group, Inc.*	13,000	531,700
		983,746
Office / Plant Automation 1.4%		
MCSi, Inc.*	11,900	279,055
Mercury Computer Systems, Inc.*	9,800	383,278
		662,333
Precision Instruments 2.1%		
Genesis Microchip, Inc.*	13,200	872,784
Zygo Corp.*	9,600	152,640
		1,025,424
Semiconductors 8.8%		
Alpha Industries, Inc.*	24,800	540,640
Astropower, Inc.*	19,200	776,256
Cree Research, Inc.*	32,500	957,450
Microsemi Corp.*	30,200	896,940

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Therma-Wave, Inc.*	31,600	471,472
Transwitch Corp.*	93,500	420,750
Veeco Instruments, Inc.*	6,200	223,510
		4,287,018
Transportation 1.3%		
Air Freight 0.8%		
EGL, Inc.*	28,500	397,575
Airlines 0.5%		
Skywest, Inc.	8,800	223,960
Total Common Stocks (Cost $38,449,648)		**41,997,462**

	Principal Amount ($)	Value ($)
Cash Equivalents 13.8%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $6,700,553)	6,700,553	**6,700,553**
Total Investment Portfolio — 100.0% (Cost $45,150,201) (a)		**48,698,015**

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $45,512,258. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $3,185,757. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $5,429,403 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,243,646.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The unaudited rate shown is the annualized seven-day yield at period end.*

(c) *Security valued at fair value by management and approved in good faith following procedures approved by the Trustees, amounted to $155,350 (0.35% of net assets). The value has been estimated by management in the absence of readily ascertainable market values. However, because of the inherent uncertainty of valuation, the estimated value may differ significantly from the value that would have been used had a ready market for the security existed, and the difference could be material. The cost of the security at December 31, 2001 aggregated $307,500. The security may also have certain restrictions as to resale.*

Purchases and sales of investment securities (excluding short-term investments), for the year ended December 31, 2001, aggregated $54,082,490 and $29,516,809, respectively.

At December 31, 2001, the 21st Century Growth Portfolio had a net tax basis capital loss carryforward of approximately $13,382,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2008 ($1,217,000) and December 31, 2009 ($12,165,000), the respective expiration date, whichever comes first.

From November 1, 2001 through December 31, 2001, the 21st Century Growth Portfolio incurred approximately $336,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2002.

The accompanying notes are an integral part of the financial statements.

21st Century Growth Portfolio

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $45,150,201)	$	48,698,015
Cash		10,000
Dividends receivable		852
Interest receivable		8,226
Receivable for Portfolio shares sold		513,834
Total assets		49,230,927
Liabilities		
Payable for investments purchased		4,282,609
Payable for Portfolio shares redeemed		302,313
Accrued management fee		37,396
Other accrued expenses and payables		34,333
Total liabilities		4,656,651
Net assets, at value	**$**	**44,574,276**
Net Assets		
Net assets consist of: Net unrealized appreciation (depreciation) on investments		3,547,814
Accumulated net realized gain (loss)		(14,080,733)
Paid-in capital		55,107,195
Net assets, at value	**$**	**44,574,276**
Net Asset Value		
Class A **Net Asset Value,** offering and redemption price per share ($44,573,653 ÷ 7,152,255 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.23**
Class B **Net Asset Value,** offering and redemption price per share ($623 ÷ 101.318 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.15**

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2001

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $5,852)	$ 37,416
Interest	122,179
Total Income	159,595
Expenses:	
Management fee	272,234
Custodian fees	6,464
Accounting fees	45,285
Distribution service fees (Class B)	2
Auditing	17,652
Legal	2,622
Trustees' fees and expenses	7,908
Registration fees	2,246
Reports to shareholders	7,355
Other	1,022
Total expenses, before expense reductions	362,790
Expense reductions	(3,955)
Total expenses, after expense reductions	358,835
Net investment income (loss)	**(199,240)**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	(10,619,721)
Foreign currency related transactions	(3,031)
	(10,622,752)
Net unrealized appreciation (depreciation) during the period on:	
Investments	3,751,550
Net gain (loss) on investment transactions	**(6,871,202)**
Net increase (decrease) in net assets resulting from operations	**$ (7,070,442)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ (199,240)	$ (247,318)
Net realized gain (loss) on investment transactions	(10,622,752)	(3,459,014)
Net unrealized appreciation (depreciation) on investment transactions during the period	3,751,550	(4,639,135)
Net increase (decrease) in net assets resulting from operations	(7,070,442)	(8,345,467)
Distributions to shareholders from:		
Net realized gains:		
Class A	—	(222,315)
Class B	—	(12)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	49,939,921	45,192,048
Reinvestment of distributions	—	222,315
Cost of shares redeemed	(24,704,439)	(25,874,881)
Net increase (decrease) in net assets from Class A share transactions	25,235,482	19,539,482
Class B		
Reinvestment of distributions	—	12
Net increase (decrease) in net assets from Class B share transactions	—	12
Increase (decrease) in net assets	18,165,040	10,971,700
Net assets at beginning of period	26,409,236	15,437,536
Net assets at end of period	**$ 44,574,276**	**$ 26,409,236**

Other Information

Class A		
Shares outstanding at beginning of period	3,253,589	1,462,745
Shares sold	7,656,411	4,310,964
Shares issued to shareholders in reinvestment of distributions	—	24,217
Shares redeemed	(3,757,745)	(2,544,337)
Net increase (decrease) in Portfolio shares	3,898,666	1,790,844
Shares outstanding at end of period	**7,152,255**	**3,253,589**
Class B		
Shares outstanding at beginning of period	101	100
Shares issued to shareholders in reinvestment of distributions	—	1
Net increase (decrease) in Portfolio shares	—	1
Shares outstanding at end of period	**101**	**101**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

21st Century Growth Portfolio

Class A

Years Ended December 31,	2001	2000	1999[a]
Selected Per Share Data			
Net asset value, beginning of period	**$ 8.12**	**$ 10.55**	**$ 6.00[b]**
Income (loss) from investment operations:			
Net investment income[c]	(.04)	(.11)	(.04)
Net realized and unrealized gain (loss) on investment transactions	(1.85)	(2.20)	4.59
Total from investment operations	(1.89)	(2.31)	4.55
Less distributions from:			
Net realized gains on investment transactions	—	(.12)	—
Net asset value, end of period	**$ 6.23**	**$ 8.12**	**$ 10.55**
Total Return (%)[d]	(23.28)	(22.39)	75.83**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	45	26	15
Ratio of expenses before expense reductions (%)	1.17[e]	1.35	2.90*
Ratio of expenses after expense reductions (%)	1.15[e]	1.29	1.50*
Ratio of net investment income (loss) (%)	(.64)	(1.06)	(.95)*
Portfolio turnover rate (%)	103	109	61

Class B

Years Ended December 31,	2001	2000	1999[a]
Selected Per Share Data			
Net asset value, beginning of period	**$ 8.04**	**$ 10.51**	**$ 6.00[b]**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.06)	(.13)	(.06)
Net realized and unrealized gain (loss) on investment transactions	(1.83)	(2.22)	4.57
Total from investment operations	(1.89)	(2.35)	4.51
Less distributions from:			
Net realized gains on investment transactions	—	(.12)	—
Net asset value, end of period	**$ 6.15**	**$ 8.04**	**$ 10.51**
Total Return (%)[d]	(23.51)	(22.79)	75.17**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	—***	—***	—***
Ratio of expenses before expense reductions (%)	1.42[e]	1.60	3.15*
Ratio of expenses after expense reductions (%)	1.40[e]	1.54	1.75*
Ratio of net investment income (loss) (%)	(.89)	(1.31)	(1.20)*
Portfolio turnover rate (%)	103	109	61

[a] *For the period May 3, 1999 (commencement of operations) to December 31, 1999.*

[b] *Original capital.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

[e] *The ratios of operating expenses excluding costs incurred in connection with the reorganization before and after expense reductions were 1.16% and 1.15%, and 1.41% and 1.40% for Class A and Class B, respectively.*

* *Annualized*

** *Not annualized*

*** *Net assets less than one million*

Global Discovery Portfolio

Dear Shareholders,

The past year was difficult for stocks worldwide, as a deteriorating global economy and weaker corporate profits led to high market volatility and sharp declines within higher-growth sectors such as technology. A negative backdrop became worse immediately following the September 11 terrorist attacks, as investors' risk tolerance declined sharply. That said, coordinated cuts in interest rates by central banks around the world encouraged investors, and global markets rebounded somewhat in the final three months of the year.

Declining 24.59 percent for the annual period, Scudder Global Discovery Portfolio (Class A) underperformed the Salomon Smith Barney World Extended Market Index (SSB World EMI), which fell roughly 6.79 percent for the same period. The primary reason for the underperformance was our focus on growth amidst a value-driven market. Most of the portfolio's downside was caused by the portfolio's positions in higher-growth stocks, despite the fact that as a group this segment made up less than 20 percent of the total portfolio. Within that group, information technology (IT) was the biggest detractor from performance. In addition, the portfolio's energy holdings were disappointing, particularly among U.S. gas companies. We had favored that industry and did not anticipate the effect that the global slowdown would have on commodity prices.

On a relative basis, we favor European equities and will continue to do so for the foreseeable future. While budget constraints prevent Europe from moving as aggressively on the fiscal front as the United States, Europe is nonetheless projected to grow faster than the United States in the years ahead. Moreover, Europe is not burdened by the imbalances that characterize the U.S. financial system, such as high levels of debt among both consumers and corporations. We believe European stock market valuations have fallen to attractive levels, and the prospect of further interest rate cuts has further enhanced the potential for equities. Pension reform and tax reform continue to move forward, which also creates a positive backdrop for stocks. Finally, the imperative for merger and restructuring activity remains strong.

The portfolio is slightly below market-weight in the United States and is underweight in Japan. In the United States, earnings growth is slowing to more normal historical levels, but it is still home to some of the best companies in the world. Japan's economy has yet to improve, so in the meantime the portfolio's investments there are focused on: 1) companies engaged in cost reduction; 2) nonbank financials; and 3) mid-size, high-quality, and attractively valued pharmaceuticals.

We recognize that the past year has been difficult for equity investors, but we believe small-company growth stocks continue to hold a place in investors' portfolios. It is important to keep in mind that the market's preference for growth versus value tends to move in cycles. It was only two years ago, after all, that growth stocks were producing vastly superior performance in relation to value stocks. While the sector certainly is not without risk, we believe that it can continue to generate solid long-term returns for patient growth-oriented investors.

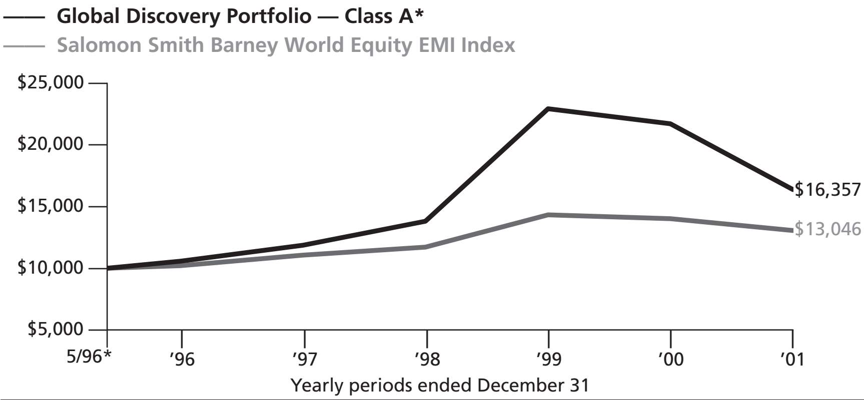
Sincerely,
Your Portfolio Management Team

Gerald J. Moran
Lead Portfolio Manager

Steven T. Stokes
Portfolio Manager

Global Discovery Portfolio

Growth of an Assumed $10,000 Investment



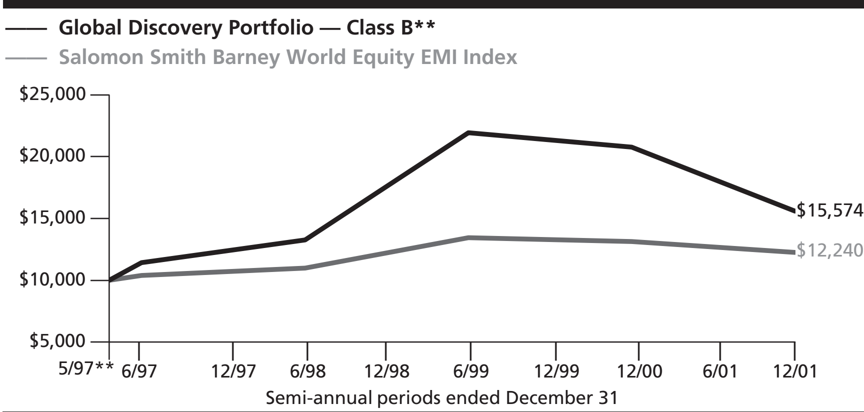
The Salomon Smith Barney World Equity Extended Market Index is an unmanaged small capitalization stock universe of 22 countries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

		1-Year	3-Year	5-Year	Life of Portfolio*
Global Discovery Portfolio — Class A*	Growth of $10,000	$7,541	$11,848	$15,504	$16,357
	Average annual total return	–24.59%	5.81%	9.17%	9.07%
Salomon Smith Barney World Equity EMI Index	Growth of $10,000	$9,321	$11,144	$12,794	$13,046
	Average annual total return	–6.79%	3.68%	5.05%	4.80%

* *The Portfolio commenced operations on May 1,1996. Index comparisons begin April 30, 1996. On May 2, 1997, existing shares were redesignated as Class A shares.*

Growth of an Assumed $10,000 Investment



The Salomon Smith Barney World Equity Extended Market Index is an unmanaged small capitalization stock universe of 22 countries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

		1 Year	3 Year	Life of Portfolio**
Global Discovery Portfolio — Class B**	Growth of $10,000	$7,504	$11,756	$15,574
	Average annual total return	–24.96%	5.54%	9.96%
Salomon Smith Barney World Equity EMI Index	Growth of $10,000	$9,321	$11,144	$13,216
	Average annual total return	–6.79%	3.68%	6.25%

** *The Portfolio commenced selling Class B shares on May 2, 1997. Index comparisons begin April 30, 1997.*

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased. Total returns would have been lower if the Portfolio's expenses were not maintained.

Investments in funds involve risk. Some funds have more risk than others. These include funds that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in emerging market countries). Please read this fund's prospectus for specific details regarding its investments and risk profile.

Global Discovery Portfolio

Geographical (Excludes Cash Equivalents)	12/31/01	12/31/00
U.S. & Canada	56%	63%
Europe	34%	29%
Japan	5%	6%
Other	5%	2%
	100%	100%

Sector Diversification (Excludes Cash Equivalents)	12/31/01	12/31/00
Health	25%	21%
Financial	21%	13%
Service Industries	16%	17%
Consumer Discretionary	9%	8%
Technology	9%	16%
Energy	6%	15%
Manufacturing	4%	3%
Utilities	3%	—
Transportation	2%	—
Media	2%	1%
Consumer Staples	1%	2%
Other	2%	4%
	100%	100%

Ten Largest Equity Holdings (33.4% of Portfolio)		
1. **Fiserv, Inc.** Provider of data processing services	United States	4.3%
2. **Anglo Irish Bank Corp. PLC** Provider of financial services for the business and private sectors	Ireland	4.1%
3. **Biomet, Inc.** Manufacturer of surgical implant devices	United States	4.0%
4. **Legg Mason, Inc.** Provider of various financial services	United States	3.9%
5. **Irish Life & Permanent PLC** Provider of diversified financial services	Ireland	3.7%
6. **Symbol Technologies, Inc.** Manufacturer of bar code laser scanners	United States	3.0%
7. **Laboratory Corporation of America Holdings** Developer of medical tests used in patient diagnosis, monitoring and treatment	United States	2.7%
8. **Deutsche Boerse AG** Provider of financial services	Germany	2.7%
9. **Serco Group PLC** Operator of facilities management business	United Kingdom	2.5%
10. **St. Jude Medical, Inc.** Manufacturer of heart valves	United States	2.5%

Geographical, sector diversification and holdings are subject to change.
A quarterly Fund Summary and Portfolio Holdings are available upon request.

Global Discovery Portfolio

	Shares	Value ($)
Common Stocks 96.8%		
Australia 0.9%		
Aristocrat Leisure Ltd. (Manufacturer, supplier and seller of gaming machines and table gaming equipment)	293,267	988,008
QBE Insurance Group Ltd. (Underwriter of commercial, industrial and individual insurance)	116,500	456,710
		1,444,718
Brazil 0.3%		
Empresa Brasileira de Aeronautica SA (ADR) (Manufacturer of aircraft)	25,408	562,279
Denmark 0.2%		
Genmab A/S* (Creator, developer and marketer of human antibody-based products)	19,100	393,555
France 2.4%		
Galeries Lafayette (Operator of department stores and supermarket chains)	12,993	1,770,881
JC Decaux SA* (Provider of advertising services)	72,326	809,116
Vinci SA (Builder of roads, offerer of engineering and construction services)	21,609	1,268,420
		3,848,417
Germany 3.2%		
Deutsche Boerse AG (Provider of financial services)	109,627	4,348,606
Suess Microtec AG* (Manufacturer of inspection equipment)	31,313	876,449
		5,225,055
Greece 0.5%		
Hellenic Bottling Co. SA* (Distributor of soft drinks)	55,500	801,458
Hong Kong 2.3%		
Legend Holdings Ltd. (Manufacturer of computers and related products)	3,801,000	1,937,421
Li & Fung Ltd. (Operator of export trading business)	1,612,000	1,808,681
		3,746,102
India 0.3%		
Satyam Computer Services Ltd. (ADR) (Provider of software services specializing in UNIX, IBM and Windows platforms)	46,000	505,080
Ireland 10.6%		
Anglo Irish Bank Corp. PLC (Provider of financial services for business and private sectors)	1,700,608	6,594,260
Gresham Hotel Group PLC (Operator of hotels in the U.K., Ireland, Belgium, Germany and the Netherlands)	467,056	328,904
Irish Continental Group PLC (Provider of passenger and freight transportation)	65,060	371,164
Irish Life & Permanent PLC (Provider of diversified financial services)	598,828	6,085,265
Jurys Doyle Hotel Group PLC (Operator of hotels and inns in Dublin, London and Washington D.C.)	229,950	1,660,317
Ryanair Holdings PLC* (Provider of passenger airline services)	340,500	2,155,004
		17,194,914
Japan 5.3%		
JAFCO Co., Ltd. (Operator of a venture capital company)	18,600	1,112,072
Kyorin Pharmaceutical Co., Ltd. (Retailer of prescription medicines)	75,000	1,937,248
NGK Insulators Ltd. (Manufacturer of electrical insulators)	104,000	767,181
Nidec Corp. (Manufacturer of small-scale motors for hard disc drives)	7,200	377,422
NSK Ltd. (Manufacturer of bearings and motor vehicle machine parts)	237,000	813,827
Olympus Optical Co., Ltd. (Manufacturer of opto-electronic and related products)	144,000	2,062,144

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Shinko Securities Co., Ltd. (Provider of financial services)	1,079,000	1,483,697
		8,553,591
Netherlands 1.1%		
Vedior NV (Provider of temporary employment services)	145,800	1,750,643
Russia 0.6%		
Mobile Telesystems (ADR)* (Provider of mobile telecommunications services)	27,200	969,952
Spain 0.7%		
Amadeus Global Travel Distribution SA* (Operator of a travel reservation system)	140,900	813,877
Sogecable SA* (Provider of cable television services)	16,340	378,702
		1,192,579
Sweden 0.3%		
Eniro AB* (Publisher of catalogs and telephone directories)	59,700	428,469
United Kingdom 13.8%		
Aegis Group PLC (Provider of independent media services)	1,289,214	1,745,819
Amey PLC (Holder of service and contracting companies that provide business outsourcing)	147,775	802,603
ARM Holdings PLC* (Designer of RISC microprocessors and related technology)	524,696	2,742,795
Friends Provident PLC* (Manager of life assurance business in U.K.)	394,505	1,148,877
Matalan PLC (Retailer of clothing)	642,401	3,273,900
Misys PLC (Provider of computer support and data services)	289,859	1,371,707
PizzaExpress PLC (Operator of pizza restaurants)	185,674	2,417,018
RM PLC (Provider of information technology solutions for educational markets)	246,900	853,839
Serco Group PLC (Operator of facilities management business)	778,922	4,139,788
Shire Pharmaceuticals Group PLC* (Developer and marketer of prescription medicine)	63,875	799,872
St. James's Place Capital PLC (New) (Provider of money management and insurance)	298,192	1,519,691
Taylor Nelson Sofres PLC (Provider of market research services)	571,861	1,611,249
		22,427,158
United States 54.3%		
Abercrombie & Fitch Co. "A"* (Retailer of casual apparel for men and women)	34,900	925,897
Affiliated Computer Services, Inc.* (Provider of information technology services and electronic funds transfer services)	9,300	987,009
Alexion Pharmaceuticals, Inc.* (Developer of immunoregulatory compounds)	27,900	681,876
Alkermes, Inc.* (Developer of immunoregulatory compounds)	60,800	1,602,688
American Eagle Outfitters, Inc. (Retailer of casual clothing)	29,900	782,483
Biomet, Inc. (Manufacturer of surgical implant devices)	211,425	6,533,033
BroadWing, Inc.* (Provider of various communication services)	73,900	702,050
Caremark Rx, Inc.* (Provider of pharmaceutical services in the United States)	184,200	3,004,302
Celgene Corp.* (Developer of commercialized human pharmaceuticals and agrochemicals)	42,000	1,340,640
Cephalon, Inc.* (Developer of biopharmaceutical products)	11,900	899,462
Concord EFS, Inc.* (Provider of electronic transaction authorization, processing, settlement and transfer services)	58,500	1,917,630
Diamond Offshore Drilling, Inc. (Operator of offshore oil and gas well drilling business)	70,200	2,134,080
Diebold, Inc. (Provider of financial, education and health care services)	9,900	400,356
Documentum, Inc.* (Developer of software products)	54,700	1,188,084
DPL, Inc. (Distributor of electricity)	64,700	1,557,976
ENSCO International, Inc. (Provider of international offshore drilling services)	65,900	1,637,615
EOG Resources, Inc. (Explorer of oil and gas)	44,000	1,720,840
Fiserv, Inc. (Provider of data processing services)	166,500	7,046,280
Garmin Ltd.* (Provider of Global Positioning System (GPS) technology)	48,100	1,025,492

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
H&R Block, Inc. (Provider of tax consulting and preparation services)	55,100	2,462,970
Internet Security Systems, Inc.* (Provider of security management solutions for the Internet)	14,800	474,488
Invitrogen Corp.* (Developer of research kits)	39,100	2,421,463
Laboratory Corporation of America Holdings* (Developer of medical tests used in patient diagnosis, monitoring and treatment)	54,500	4,406,325
Lam Research Corp.* (Manufacturer of plasma etching equipment)	31,400	729,108
Legg Mason, Inc. (Provider of various financial services)	125,900	6,292,482
Medarex, Inc.* (Operator of a pharmaceutical company)	35,200	632,192
Mercury Interactive Corp.* (Producer of automated software testing tools)	22,000	747,560
Nabors Industries, Inc.* (Contractor of land drilling)	26,630	914,208
NPS Pharmaceuticals, Inc.* (Developer of small molecule drugs)	45,900	1,757,970
OGE Energy Corp. (Provider of electric power and natural gas transmission)	67,900	1,567,132
Pharmaceutical Resources, Inc.* (Holder of subsidiaries that develop and manufacture generic pharmaceuticals products)	43,200	1,460,160
Province Healthcare Co.* (Acquirer and operator of rural hospitals)	23,500	725,210
Radio One, Inc. "D"* (Provider of radio broadcasting)	95,400	1,718,154
Sabre Group Holdings, Inc. "A"* (Provider of online travel reservation capabilities)	29,200	1,236,620
Shaw Group, Inc.* (Manufacturer of piping systems)	62,700	1,473,450
St. Jude Medical, Inc.* (Manufacturer of heart valves)	53,200	4,130,980
Symbol Technologies, Inc. (Manufacturer of bar code laser scanners)	306,393	4,865,521
TECO Energy, Inc. (Provider of retail electric service)	56,700	1,487,808
Tiffany & Co. (Operator of jewelry and gift store)	64,800	2,039,256
Time Warner Telecom, Inc. "A"* (Provider of telecommunications services)	42,700	755,363
Universal Health Services, Inc.* (Operator of psychiatric-care facilities)	36,030	1,541,363
UtiliCorp United, Inc. (Provider of multinational energy solutions)	50,600	1,273,602
Veritas DGC, Inc.* (Provider of land, transition zone and marine-based seismic data acquisition)	55,000	1,017,500
Waters Corp.* (Provider of high-performance liquid chromatography products and services)	60,000	2,325,000
Zions Bancorp. (Provider of commercial banking services)	70,400	3,701,630
		88,245,308
Total Common Stocks (Cost $164,995,262)		**157,289,278**

	Principal Amount ($)	Value ($)
Convertible Bonds 0.4%		
United States		
Cephalon, Inc., Convertible, 5.25%, 5/1/2006 (Developer of biopharmaceutical products) (Cost $581,000)	581,000	**703,917**
Repurchase Agreements 2.8%		
Salomon Smith Barney, 1.75% to be repurchased at $4,495,656 on 1/2/2002 (b) (Cost $4,495,000)	4,495,000	**4,495,000**
Total Investment Portfolio — 100.0% (Cost $170,071,262) (a)		**162,488,195**

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $170,827,344. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $8,339,149. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $16,474,165 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $24,813,314.*

(b) *Repurchase agreements are fully collateralized by U.S. Treasury or government agency securities.*

Purchases and sales of investment securities (excluding short-term investments), for the year ended December 31, 2001, aggregated $122,822,625 and $77,711,661, respectively.

At December 31, 2001, the Global Discovery Portfolio had a net tax basis capital loss carryforward of approximately $24,864,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009, the expiration date.

From November 1, 2001 through December 31, 2001, the Global Discovery Portfolio incurred approximately $3,960,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2002.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Global Discovery Portfolio

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $170,071,262)	$	162,488,195
Cash		80
Foreign currency, at value, (cost $1,922,281)		1,935,947
Dividends receivable		103,364
Interest receivable		5,302
Receivable for Portfolio shares sold		307,917
Foreign taxes recoverable		42,799
Unrealized appreciation on forward currency exchange contracts		291,702
Total assets		165,175,306
Liabilities		
Payable for investments purchased		7,388,190
Payable for Portfolio shares redeemed		455,172
Accrued management fee		159,680
Other accrued expenses and payables		130,774
Total liabilities		8,133,816
Net assets, at value	**$**	**157,041,490**
Net Assets		
Net assets consist of:		
Net unrealized appreciation (depreciation) on:		
Investments securities		(7,583,067)
Foreign currency related transactions		302,303
Accumulated net realized gain (loss)		(29,573,057)
Paid-in capital		193,895,311
Net assets, at value	**$**	**157,041,490**
Class A		
Net Asset Value, offering and redemption price per share ($150,184,921 ÷ 17,267,802 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.70**
Class B		
Net Asset Value, offering and redemption price per share ($6,856,569 ÷ 795,058 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.62**

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $43,067)	$	1,165,326
Interest		688,804
Total Income		1,854,130
Expenses:		
Management fee		1,481,960
Custodian fees		180,457
Accounting fees		148,091
Distribution service fees (Class B)		19,980
Auditing		24,131
Legal		6,770
Trustees' fees and expenses		24,876
Reports to shareholders		6,574
Total expenses, before expense reductions		1,892,839
Expense reductions		(17,074)
Total expenses, after expense reductions		1,875,765
Net investment income (loss)		**(21,635)**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		(27,662,809)
Foreign currency related transactions		(256,752)
		(27,919,561)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(15,786,881)
Foreign currency related transactions		297,245
		(15,489,636)
Net gain (loss) on investment transactions		**(43,409,197)**
Net increase (decrease) in net assets resulting from operations	**$**	**(43,430,832)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ (21,635)	$ (377,736)
Net realized gain (loss) on investment transactions	(27,919,561)	2,036,132
Net unrealized appreciation (depreciation) on investment transactions during the period	(15,489,636)	(16,424,584)
Net increase (decrease) in net assets resulting from operations	(43,430,832)	(14,766,188)
Distributions to shareholders from:		
Net investment income:		
Class A	—	(986,284)
Class B	—	(49,881)
Net realized gains:		
Class A	(2,677,843)	(5,917,706)
Class B	(162,230)	(438,954)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	161,605,840	177,758,322
Reinvestment of distributions	2,677,843	6,903,990
Cost of shares redeemed	(129,432,610)	(75,515,456)
Net increase (decrease) in net assets from Class A share transactions	34,851,073	109,146,856
Class B		
Proceeds from shares sold	1,138,358	6,835,369
Reinvestment of distributions	162,230	488,835
Cost of shares redeemed	(2,492,123)	(1,885,145)
Net increase (decrease) in net assets from Class B share transactions	(1,191,535)	5,439,059
Increase (decrease) in net assets	(12,611,367)	92,426,902
Net assets at beginning of period	169,652,857	77,225,955
Net assets at end of period	**$ 157,041,490**	**$ 169,652,857**

Other Information

Class A		
Shares outstanding at beginning of period	13,514,198	5,348,352
Shares sold	17,691,979	13,444,650
Shares issued to shareholders in reinvestment of distributions	265,396	559,481
Shares redeemed	(14,203,771)	(5,838,285)
Net increase (decrease) in Portfolio shares	3,753,604	8,165,846
Shares outstanding at end of period	**17,267,802**	**13,514,198**
Class B		
Shares outstanding at beginning of period	921,916	512,155
Shares sold	125,458	510,443
Shares issued to shareholders in reinvestment of distributions	16,191	39,775
Shares redeemed	(268,507)	(140,457)
Net increase (decrease) in Portfolio shares	(126,858)	409,761
Shares outstanding at end of period	**795,058**	**921,916**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Global Discovery Portfolio
Class A[(a)]

Years Ended December 31,	2001	2000	1999	1998	1997
Selected Per Share Data					
Net asset value, beginning of period	**$ 11.76**	**$ 13.18**	**$ 8.04**	**$ 7.08**	**$ 6.33**
Income (loss) from investment operations:					
Net investment income[b]	(.00)***	(.03)	(.06)	(.03)	(.03)
Net realized and unrealized gain (loss) on investment transactions	(2.87)	(.62)	5.30	1.18	.81
Total from investment operations	(2.87)	(.65)	5.24	1.15	.78
Less distributions from:					
Net investment income	—	(.11)	—	(.12)	(.02)
Net realized gains on investment transactions	(.19)	(.66)	(.10)	(.07)	(.01)
Total distributions	(.19)	(.77)	(.10)	(.19)	(.03)
Net asset value, end of period	**$ 8.70**	**$ 11.76**	**$ 13.18**	**$ 8.04**	**$ 7.08**
Total Return (%)	(24.59)	(5.29)	65.88	16.44[c]	12.38[c]
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	150	159	71	25	18
Ratio of expenses before expense reductions (%)	1.23[d]	1.28	1.63	1.79	1.79
Ratio of expenses after expense reductions (%)	1.22[d]	1.28	1.63	1.72	1.50
Ratio of net investment income (loss) (%)	.00[e]	(.25)	(.66)	(.40)	(.44)
Portfolio turnover rate (%)	56	66	70	54	83

Class B

Years Ended December 31,	2001	2000	1999	1998	1997[f]
Selected Per Share Data					
Net asset value, beginning of period	**$ 11.69**	**$ 13.11**	**$ 8.01**	**$ 7.07**	**$ 6.20**
Income (loss) from investment operations:					
Net investment income[b]	(.02)	(.07)	(.08)	(.05)	(.04)
Net realized and unrealized gain (loss) on investment transactions	(2.86)	(.61)	5.28	1.18	.91
Total from investment operations	(2.88)	(.68)	5.20	1.13	.87
Less distributions from:					
Net investment income	—	(.08)	—	(.12)	—
Net realized gains on investment transactions	(.19)	(.66)	(.10)	(.07)	—
Total distributions	(.19)	(.74)	(.10)	(.19)	—
Net asset value, end of period	**$ 8.62**	**$ 11.69**	**$ 13.11**	**$ 8.01**	**$ 7.07**
Total Return (%)	(24.96)	(5.42)	65.63	16.18[c]	14.03[c]**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	7	11	7	4	2
Ratio of expenses before expense reductions (%)	1.48[d]	1.53	1.88	2.04	2.00*
Ratio of expenses after expense reductions (%)	1.47[d]	1.53	1.88	1.98	1.75*
Ratio of net investment income (loss) (%)	(.25)	(.52)	(.91)	(.69)	(.89)*
Portfolio turnover rate (%)	56	66	70	54	83

a *On May 2, 1997 existing shares were redesignated as Class A shares.*
b *Based on average shares outstanding during the period.*
c *Total returns would have been lower had certain expenses not been reduced.*
d *The ratios of operating expenses excluding costs incurred in connection with the reorganization before and after expense reductions were 1.22% and 1.22%, and 1.47% and 1.47% for Class A and Class B, respectively.*
e *Less than .005%*
f *For the period May 2, 1997 (commencement of sales of Class B shares) to December 31, 1997.*
* *Annualized* ** *Not annualized* *** *Less than $.005 per share*

International Portfolio

Dear Shareholders,

Global markets declined for the bulk of the annual period ending December 31, 2001. Swings in market sentiment were both powerful and frequent as the economic backdrop deteriorated in fits and starts. Investor nervousness about the corporate earnings slowdown, rising oil prices, and widespread economic malaise hurt stock prices, and the events of September 11 only made these problems worse. In the final months of the year, however, global markets in general rebounded in response to the quick and forceful reaction from global central banks and policy makers.

Of the major international stock markets, Japan's was the weakest performer. The global economic slowdown hit Japan especially hard given the fragile state of its economy. Initially, the Japanese indices rallied briefly on the landslide victory of Prime Minister Koizumi, who assumed leadership of the country on a strongly reformist platform. The market subsequently fell back, however, due to increasing signs of economic slowdown, a weakening yen, and a more sober view of the deflationary pain that would accompany any rigorous reforms.

European markets also retracted significantly from previous highs, though they performed relatively better, with particular help from the United Kingdom. Growth continued to moderate within Europe as a slowing global economy diminished demand — forcing companies to scale back on manufacturing activity and services. Evidence of restructuring continues, however, and Europe is not burdened by imbalances that characterize the U.S. financial system, such as high levels of debt among both consumers and corporations.

Scudder International Portfolio (Class A) declined 30.86 percent against this backdrop, compared with the MSCI EAFE+Canada, which fell 21.40 percent. The most problematic region of the past year was Japan, despite our having significantly curtailed the portfolio's regional exposure earlier in the year. In Europe, the portfolio suffered from too high an exposure to media and publishing stocks, particularly those of companies more dependent on advertising revenues.

During the current period of heightened economic uncertainty, we remain focused first and foremost on security selection, with continued attention to companies with strong market positions, balance sheet strength, and valuation support. We have been moving the portfolio from a defensive tilt to a more opportunistic one, as we expect the liquidity-driven rally to continue and are further encouraged by some signs of stabilization in the U.S. economy, which we believe bodes well for the global economy. Toward that end, we have trimmed the portfolio's positions in consumer staples, utilities, insurance (a subsector of financial), and energy; and have added selectively to semiconductors and tech hardware (both subsectors of technology), materials (a subsector of construction), and industrials (a subsector of manufacturing).

Sincerely,
Your Portfolio Management Team

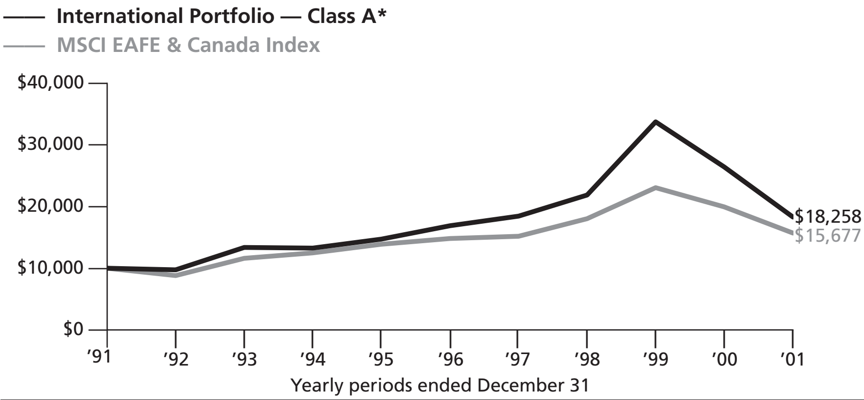
Irene T. Cheng
Lead Portfolio Manager

Nicholas Bratt
Portfolio Manager

Marc J. Slendebroek
Portfolio Manager

International Portfolio

Growth of an Assumed $10,000 Investment



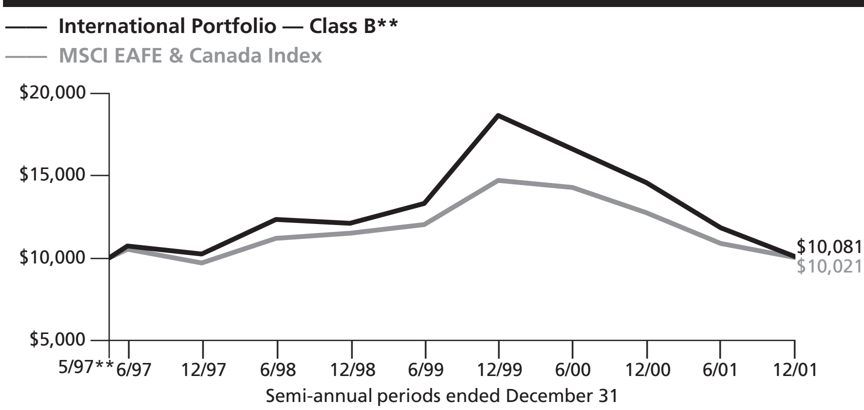
The Morgan Stanley Capital International (MSCI) Europe, Australia, the Far East (EAFE) & Canada Index is an unmanaged capitalization-weighted measure of stock markets in Europe, Australia, the Far East and Canada. Index returns assume reinvestment of dividends net of withholding tax and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

		1-Year	3-Year	5-Year	10-Year*
International Portfolio — Class A*	Growth of $10,000	$6,914	$8,365	$10,810	$18,258
	Average annual total return	–30.86%	–5.78%	1.57%	6.21%
MSCI EAFE & Canada Index	Growth of $10,000	$7,860	$8,711	$10,580	$15,677
	Average annual total return	–21.40%	–4.50%	1.13%	4.60%

* *On May 8, 1997, existing shares were redesignated as Class A shares.*

Growth of an Assumed $10,000 Investment



The Morgan Stanley Capital International (MSCI) Europe, Australia, the Far East (EAFE) & Canada Index is an unmanaged capitalization-weighted measure of stock markets in Europe, Australia, the Far East and Canada. Index returns assume reinvestment of dividends net of withholding tax and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

		1-Year	3-Year	Life of Portfolio**
International Portfolio — Class B**	Growth of $10,000	$6,919	$8,330	$10,081
	Average annual total return	–30.81%	–5.91%	.17%
MSCI EAFE & Canada Index	Growth of $10,000	$7,860	$8,711	$10,021
	Average annual total return	–21.40%	–4.50%	.05%

** *The Portfolio commenced selling Class B shares on May 8, 1997. Index comparisons begin May 31, 1997.*

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.

Investments in funds involve risk. Some funds have more risk than others. These include funds that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in emerging market countries). Please read this fund's prospectus for specific details regarding its investments and risk profile.

International Portfolio

Geographical (Excludes Cash Equivalents)	12/31/01	12/31/00
Europe	72%	75%
Japan	20%	20%
Pacific Basin	6%	3%
U.S. & Canada	2%	2%
	100%	100%

Sector Diversification (Excludes Cash Equivalents)	12/31/01	12/31/00
Financial	17%	27%
Manufacturing	14%	13%
Communications	12%	10%
Technology	9%	5%
Health	8%	5%
Energy	7%	6%
Service Industries	6%	6%
Consumer Discretionary	5%	—
Consumer Staples	5%	9%
Utilities	4%	5%
Other	13%	14%
	100%	100%

Ten Largest Equity Holdings (21.7% of Portfolio)		
1. **Vodafone Group PLC** Provider of mobile telecommunication services	United Kingdom	3.8%
2. **BP PLC** Provider of oil internationally	United Kingdom	2.5%
3. **Siemens AG** Manufacturer of electrical and electronic equipment	Germany	2.2%
4. **Ericsson LM** Producer of advanced systems and products for wired and mobile communications	Sweden	2.2%
5. **Total Fina ELF SA** Explorer, refiner and transporter of oil and natural gas	France	2.1%
6. **Samsung Electronics Co., Ltd.** Manufacturer of electronic parts	Korea	1.9%
7. **Canadian National Railway Co.** Operator of railroads in Canada	Canada	1.8%
8. **E.On AG** Distributor of oil and chemicals	Germany	1.8%
9. **Aventis SA** Manufacturer of life science products	France	1.7%
10. **Bayer AG** Producer of chemical products	Germany	1.7%

Geographical, sector diversification and holdings are subject to change.
A quarterly Fund Summary and Portfolio Holdings are available upon request.

International Portfolio

	Shares	Value ($)
Common Stocks 86.8%		
Australia 2.0%		
BHP Billiton Ltd. (Producer of petroleum, mineral and steel products)	1,230,800	6,596,749
WMC Ltd. (Developer of mineral products)	892,983	4,363,595
		10,960,344
Belgium 0.7%		
Interbrew (Operator of brewing business)	140,800	3,859,405
Canada 2.1%		
Canadian National Railway Co. (Operator of railroads in Canada)	214,593	10,338,746
Nortel Networks Corp. (Provider of telephone, data and wireless products for the Internet)	184,601	1,384,506
		11,723,252
Denmark 0.7%		
Novo Nordisk A/S “B” (Developer, producer and marketer of pharmaceuticals)	93,900	3,841,491
Finland 0.8%		
Sonera Oyj (Provider of telecommunication services)	406,900	2,063,823
UPM-Kymmene Oyj (Manufacturer of paper and pulp products)	74,400	2,470,426
		4,534,249
France 14.7%		
Alcatel SA (Manufacturer of telecommunications equipment)	71,475	1,223,293
Aventis SA (Manufacturer of life science products)	131,705	9,362,795
BNP Paribas SA (Provider of banking services)	102,612	9,192,566
Carrefour SA (Operator of supermarkets and food retailer)	101,501	5,283,914
Compagnie Generale d’Industrie et de Participations (Producer of automobile components, diagnostic equipment and abrasive pellets)	34,156	1,141,750
Credit Lyonnais SA (Provider of diversified banking services)	137,639	4,600,927
Eurotunnel SA* (Designer, financier and constructor of the Eurotunnel)	4,222,051(d)	4,252,795
France Telecom SA (Provider of telecommunication services)	62,377	2,496,568
Groupe Danone (Producer of food products)	27,742	3,387,902
Lafarge SA (Supplier of various building materials)	61,240	5,726,420
Orange SA* (Provider of cellular telephone services)	195,269	1,771,959
Rhodia SA (Manufacturer of drugs and chemical products)	95,496	764,424
Sanofi-Synthelabo SA (Manufacturer of health care products and medical and surgical equipment)	64,477	4,816,387
Schneider Electric SA (Manufacturer of electronic components and automated manufacturing systems)	125,865	6,058,586
Scor SA (Operator of property, casualty and life reinsurance business)	39,898	1,259,359
Suez SA (Builder of water treatment plants)	262,430	7,953,622
Technip CoFlexip SA (Designer and manufacturer of industrial facilities)	13,101	1,751,734
Total Fina Elf SA (Explorer, refiner, and transporter of oil and natural gas)	80,645	11,530,665
		82,575,666
Germany 12.0%		
Allianz AG (Provider of multi-line insurance services)	21,313	5,044,077
AMB Generali Holding AG (Provider of insurance and financial services worldwide)	551	57,957
Altana AG (Developer and manufacturer of pharmaceutical, diagnostic and chemical products)	28,519	1,421,080
BASF AG (Producer of chemicals)	88,458	3,299,933
Bayer AG (Producer of chemical products)	291,943	9,290,495
Beiersdorf AG (Supplier of disposable medical products)	12,392	1,396,243
Deutsche Bank AG (Registered) (Provider of financial services) (c)	45,166	3,192,695

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
E.On AG (Distributor of oil and chemicals)	192,406	10,016,224
Heidelberger Druckmaschinen AG (Manufacturer of commercial printing presses)	20,125	761,528
KarstadtQuelle AG (Operator of department stores)	95,633	3,742,354
Man AG (Operator of a commodities trading company)	64,219	1,362,426
Merck KGaA (Manufacturer of pharmaceuticals and speciality chemicals, as well as related products and equipment)	35,474	1,299,644
Metro AG (Operator of building, clothing, electronic and food stores)	97,847	3,445,222
Muenchener Rueckversicherungs-Gesellschaft AG (Registered) (Provider of financial services)	23,575	6,409,363
SAP AG (Manufacturer of computer software)	32,821	4,306,869
Siemens AG (Manufacturer of electrical and electronic equipment)	185,461	12,374,195
		67,420,305
Italy 2.2%		
Mediobanca SpA (Provider of medium- and long-term business loans and credit)	665,500	7,462,791
Riunione Adriatica di Sicurta SpA (Provider of insurance services)	416,700	4,914,235
		12,377,026
Japan 17.2%		
Asahi Glass Co., Ltd. (Manufacturer a variety of glass products)	594,000	3,497,303
Canon, Inc. (Producer of visual image and information equipment)	74,000	2,535,440
Dai Nippon Printing Co., Ltd. (Operator of printing business)	76,000	756,363
Daiwa Securities Group, Inc. (Provider of brokerage and other financial services)	460,000	2,407,810
Fast Retailing Co., Ltd. (Operator of casual clothes retail chain)	14,300	1,266,717
Hitachi Ltd. (Manufacturer of general electronics)	219,000	1,597,204
Ito-Yokado Co., Ltd. (Operator of leading supermarkets)	39,000	1,754,007
Kajima Corp. (Contractor engaged in large-scale civil engineering projects)	514,000	1,390,139
Matsushita Communication Industrial Co., Ltd. (Manufacturer of mobile and car audio telecommunications equipment)	50,000	1,348,477
Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)	287,000	3,669,536
Mitsubishi Corp. (Operator of a general trading company)	485,000	3,135,569
Mitsubishi Estate Co., Ltd. (Provider of real estate services)	603,000	4,393,201
Mitsui & Co., Ltd. (Operator of a general trading company)	610,000	3,007,597
Mitsui Fudosan Co., Ltd. (Provider of real estate services)	707,000	5,371,116
Mizuho Holdings, Inc. (Provider of financial services)	225	456,393
Murata Manufacturing Co., Ltd. (Manufacturer of computers)	37,100	2,215,346
NEC Corp. (Manufacturer of telecommunication and computer equipment)	519,000	5,271,617
Nikko Cordial Corp. (Provider of financial services)	1,014,000	4,506,495
Nippon Telegraph & Telephone Corp. (Provider of telecommunication services)	560	1,816,607
Nippon Unipac Holdings (Manager and controller of subsidiaries which manufacture paper and pulp products)	363	1,613,272
Nissan Motor Co., Ltd. (Manufacturer of motor vehicles)	1,207,000	6,372,901
Nomura Securities Co., Ltd. (Provider of financial services)	492,000	6,279,420
NTT DoCoMo, Inc. (Provider of various telecommunication services and equipment)	323	3,778,926
OJI Paper Co., Ltd. (Manufacturer of paper and paper goods)	389,000	1,539,687
Sankyo Co., Ltd. (Manufacturer of pharmaceuticals)	260,000	4,434,399
Sega Corp.* (Maker of commercial amusement equipment)	130,000	2,582,618
Sharp Corp. (Manufacturer of consumer and industrial electronics)	550,000	6,405,455
SMC Corp. (Manufacturer of pneumatic equipment)	14,700	1,489,767
Sony Corp. (Manufacturer of consumer electronic products)	145,400	6,616,622
Taisei Corp. (Builder of residential and commercial bulidings)	689,000	1,486,561
Takeda Chemical Industries Ltd. (Manufacturer of pharmaceutical products)	69,000	3,108,486
		96,105,051

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Korea 1.9%		
Samsung Electronics Co., Ltd. (Manufacturer of electronic parts)	49,690	10,554,633
Netherlands 3.7%		
ASML Holding NV* (Developer of photolithography projection systems)	88,900	1,546,871
DSM NV (Manufacturer of chemicals)	78,700	2,876,981
Elsevier NV (Publisher of scientific, professional, business and consumer information books)	156,900	1,857,349
Gucci Group NV (Designer and producer of personal luxury accessories and apparel)	36,500	3,098,850
Heineken NV (Producer of alcoholic beverages)	66,625	2,529,399
IHC Caland NV (Supplier of materials for offshore oilfields)	30,900	1,446,073
Koninklinjke KPN NV* (Provider of telecommunications services)	561,200	2,856,448
STMicroelectronics NV (Manufacturer of semiconductor integrated circuits)	145,667	4,681,004
		20,892,975
Spain 2.1%		
Industria de Diseno Textil SA* (Manufacturer and retailer of apparel)	199,400	3,805,523
Telefonica SA* (Provider of telecommunication services)	582,159	7,799,615
		11,605,138
Sweden 2.2%		
Ericsson LM "B" (Producer of advanced systems and products for wired and mobile communications)	2,252,200	12,284,727
Switzerland 6.4%		
Credit Suisse Group (Provider of various financial services, including investment and insurance services)	163,764	6,994,746
Nestle SA (Registered) (Producer and seller of food products)	25,225	5,387,096
Roche Holding AG (Developer of pharmaceutical and chemical products)	37,548	2,684,265
Serono SA "B" (Developer and marketer of biotechnology products)	6,456	5,643,547
Swiss Re (Registered) (Provider of reinsurance, insurance and banking services)	61,961	6,242,451
Syngenta AG* (Producer of seeds and chemicals)	58,408	3,030,338
UBS AG (Registered) (Provider of commercial and investment banking services)	114,661	5,796,689
		35,779,132
Taiwan 1.3%		
Hon Hai Precision Industry Co., Ltd. (ADR) (Manufacturer of electronic products)	72	329
Taiwan Semiconductor Manufacturing Co., Ltd.* (Manufacturer of integrated circuits and other semiconductor devices)	2,868,400	7,174,075
		7,174,404
United Kingdom 16.8%		
Anglo American PLC (Producer of mining and natural resources products)	127,140	1,927,188
BAE Systems PLC (Producer of military aircraft)	1,067,216	4,809,547
BP PLC (Provider of oil internationally)	1,789,414	13,913,721
Compass Group PLC (Operator of an international food service group)	352,158	2,640,803
GlaxoSmithKline PLC (Developer of vaccines, health related consumer products, prescriptions and OTC medicines)	344,445	8,641,644
J Sainsbury PLC (Distributor of food)	937,326	4,995,316
Pearson PLC (Operator of a diversified media and entertainment holding company)	507,027	5,839,811
Reed International PLC (Publisher of scientific, professional and business-to-business materials)	909,175	7,545,944
Reuters Group PLC (Provider of international news and information)	756,627	7,491,727
Rio Tinto PLC (Operator of a mining, manufacturing and development company)	403,276	7,727,686
Shell Transport & Trading PLC (Provider of oil internationally)	996,521	6,848,882
Vodafone Group PLC (Provider of mobile telecommunication services)	8,223,625	21,524,021
		93,906,290
Total Common Stocks (Cost $504,425,243)		**485,594,088**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Warrants 0.0%		
France		
Cap Gemini SA* (Provider of computer software) (Cost $78,236)	34,156	**14,005**
Participating Loan Note 0.3%		
Luxembourg		
Eurotunnel Finance Ltd., Step-up Coupon 1.0% to 12/31/2005, 1.0% plus 26.45% of net available cash flows to 4/30/2040 (Provider of finances for the Eurotunnel project) (Cost $2,218,612)	1,700 (b)	**1,757,841**

	Principal Amount ($)	Value ($)
Short-Term Investments 12.9%		
Federal Home Loan Bank, 1.47%**, 1/2/2002	50,000,000	49,997,958
Federal National Mortgage Association, 2.05%**, 1/2/2002	22,134,000	22,132,740
Total Short-Term Investments (Cost $72,130,698)		**72,130,698**
Total Investment Portfolio — 100.0% (Cost $578,852,789) (a)		**559,496,632**

* *Non-income producing security.*

** *Annualized yield at time of purchase, not a coupon rate.*

(a) *The cost for federal income tax purposes was $585,001,888. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $25,505,256. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $32,829,575 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $58,334,831.*

(b) *Represents number of contracts. Each contract equals a nominal value of EUR 2,931.*

(c) *Affiliated company (see Notes to Financial Statements).*

(d) *Represents number of units.*

Purchases and sales of investment securities (excluding short-term investment), for the year ended December 31, 2001, aggregated $592,334,358 and $598,398,551, respectively.

At December 31, 2001, the International Portfolio had a net tax basis capital loss carryforward of approximately $133,060,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009, the expiration date.

From November 1, 2001 through December 31, 2001, the International Portfolio incurred approximately $17,769,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2002.

The accompanying notes are an integral part of the financial statements.

International Portfolio

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $578,852,789)	$	559,496,632
Cash		7,570
Foreign currency, at value (cost $1,090,982)		1,077,562
Receivable for investments sold		422,092
Dividends receivable		196,244
Receivable for Portfolio shares sold		499,500
Foreign taxes recoverable		734,841
Unrealized appreciation on forward currency exchange contracts		1,174,467
Total assets		563,608,908
Liabilities		
Payable for Portfolio shares redeemed		47,125,253
Accrued management fee		434,500
Other accrued expenses and payables		189,429
Total liabilities		47,749,182
Net assets, at value	**$**	**515,859,726**
Net Assets		
Net assets consist of: Undistributed net investment income		2,647,536
Net unrealized appreciation (depreciation) on: Investments		(19,356,157)
Foreign currency related transactions		1,161,638
Accumulated net realized gain (loss)		(156,978,384)
Paid-in capital		688,385,093
Net assets, at value	**$**	**515,859,726**
Net Asset Value		
Class A **Net Asset Value,** offering and redemption price per share ($512,640,973 ÷ 63,646,512 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.05**
Class B **Net Asset Value,** offering and redemption price per share ($3,218,753 ÷ 400,769 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.03**

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:	
Dividends (net of foreign taxes withheld of $1,404,465)	$ 7,822,584
Interest	2,444,375
Total Income	10,266,959
Expenses:	
Management fee	5,296,558
Custodian fees	318,563
Accounting fees	434,504
Distribution service fees (Class B)	3,375
Auditing	21,952
Legal	37,723
Trustees' fees and expenses	88,897
Reports to shareholders	31,950
Registration fees	40,383
Other	49,854
Total expenses, before expense reductions	6,323,759
Expense reductions	(74,892)
Total expenses, after expense reductions	6,248,867
Net investment income (loss)	**4,018,092**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(153,535,738)
Foreign currency related transactions	(1,008,877)
	(154,544,615)
Net unrealized appreciation (depreciation) during the period on:	
Investments	(37,107,056)
Foreign currency related transactions	1,161,825
	(35,945,231)
Net gain (loss) on investment transactions	**(190,489,846)**
Net increase (decrease) in net assets resulting from operations	**$ (186,471,754)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 4,018,092	$ 3,955,876
Net realized gain (loss) on investment transactions	(154,544,615)	121,550,712
Net unrealized appreciation (depreciation) on investment transactions during the period	(35,945,231)	(292,581,750)
Net increase (decrease) in net assets resulting from operations	(186,471,754)	(167,075,162)
Distributions to shareholders from:		
Net investment income:		
Class A	(2,533,964)	(4,323,565)
Class B	(1,002)	(1,773)
Net realized gains:		
Class A	(118,779,550)	(87,912,485)
Class B	(132,698)	(81,114)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	7,467,638,462	4,177,908,200
Reinvestment of distributions	121,313,514	92,236,050
Cost of shares redeemed	(7,488,719,564)	(4,165,548,420)
Net increase (decrease) in net assets from Class A share transactions	100,232,412	104,595,830
Class B		
Proceeds from shares sold	4,045,454	492,244
Reinvestment of distributions	133,700	82,887
Cost of shares redeemed	(1,183,287)	(218,125)
Net increase (decrease) in net assets from Class B share transactions	2,995,867	357,006
Increase (decrease) in net assets	(204,690,689)	(154,441,263)
Net assets at beginning of period	720,550,415	874,991,678
Net assets at end of period (including undistributed net investment income of $2,647,536 and $3,102,624, respectively)	**$ 515,859,726**	**$ 720,550,415**

Other Information

Class A		
Shares outstanding at beginning of period	50,467,229	42,980,529
Shares sold	781,961,786	257,448,566
Shares issued to shareholders in reinvestment of distributions	11,870,206	5,610,465
Shares redeemed	(780,652,709)	(255,572,331)
Net increase (decrease) in Portfolio shares	13,179,283	7,486,700
Shares outstanding at end of period	**63,646,512**	**50,467,229**
Class B		
Shares outstanding at beginning of period	53,819	33,910
Shares sold	462,331	28,073
Shares issued to shareholders in reinvestment of distributions	13,134	5,057
Shares redeemed	(128,515)	(13,221)
Net increase (decrease) in Portfolio shares	346,950	19,909
Shares outstanding at end of period	**400,769**	**53,819**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

International Portfolio

Class A[(a)]

Years Ended December 31,	2001	2000	1999	1998	1997
Selected Per Share Data					
Net asset value, beginning of period	**$ 14.26**	**$ 20.34**	**$ 14.56**	**$ 14.11**	**$ 13.25**
Income (loss) from investment operations:					
Net investment income[b]	.06	.08	.12[c]	.13	.14
Net realized and unrealized gain (loss) on investment transactions	(3.97)	(4.24)	7.17	2.29	1.04
Total from investment operations	(3.91)	(4.16)	7.29	2.42	1.18
Less distributions from:					
Net investment income	(.05)	(.09)	(.02)	(.26)	(.21)
Net realized gains on investment transactions	(2.25)	(1.83)	(1.49)	(1.71)	(.11)
Total distributions	(2.30)	(1.92)	(1.51)	(1.97)	(.32)
Net asset value, end of period	**$ 8.05**	**$ 14.26**	**$ 20.34**	**$ 14.56**	**$ 14.11**
Total Return (%)	(30.86)	(21.70)	54.51	18.49	9.07
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	513	720	874	509	427
Ratio of expenses before expense reductions (%)	1.01[e]	.96	1.03	1.04	1.00
Ratio of expenses after expense reductions (%)	1.00[e]	.96	1.03	1.04	1.00
Ratio of net investment income (loss) (%)	.64	.48	.76	.90	.94
Portfolio turnover rate (%)	105	79	86	71	61

Class B

Years Ended December 31,	2001	2000	1999	1998	1997[d]
Selected Per Share Data					
Net asset value, beginning of period	**$ 14.19**	**$ 20.24**	**$ 14.51**	**$ 14.08**	**$ 13.76**
Income (loss) from investment operations:					
Net investment income[b]	.05	.04	.08[c]	.10	.00[f]
Net realized and unrealized gain (loss) on investment transactions	(3.94)	(4.22)	7.14	2.29	.32
Total from investment operations	(3.89)	(4.18)	7.22	2.39	.32
Less distributions from:					
Net investment income	(.02)	(.04)	—	(.25)	—
Net realized gains on investment transactions	(2.25)	(1.83)	(1.49)	(1.71)	—
Total distributions	(2.27)	(1.87)	(1.49)	(1.96)	—
Net asset value, end of period	**$ 8.03**	**$ 14.19**	**$ 20.24**	**$ 14.51**	**$ 14.08**
Total Return (%)	(30.81)	(21.89)	54.13	18.28	2.33**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	3	.77	.69	.37	.35
Ratio of expenses before expense reductions (%)	1.26[e]	1.21	1.28	1.28	1.24*
Ratio of expenses after expense reductions (%)	1.25[e]	1.21	1.28	1.28	1.24*
Ratio of net investment income (loss) (%)	.39	.23	.53	.69	(.00)[g]*
Portfolio turnover rate (%)	105	79	86	71	61**

[a] *On May 8, 1997, existing shares were designated as Class A shares.*
[b] *Based on average shares outstanding during the period.*
[c] *Net investment income per share includes non-recurring dividend income amounting to $.03 per share.*
[d] *For the period May 8, 1997 (commencement of sales of Class B shares) to December 31, 1997.*
[e] *The ratios of operating expenses excluding costs incurred in connection with the reorganization before and after expense reductions were 1.00% and 1.00%, and 1.25% and 1.25% for Class A and Class B, respectively.*
[f] *Amount shown is less than $.005.*
[g] *Amount shown is less than .005%.*
* *Annualized*
** *Not annualized*

Health Sciences Portfolio

Dear Shareholders,

We are pleased to report that Scudder Health Sciences Portfolio outperformed the unmanaged Standard & Poor's 500 Index for the period ended December 31, 2001. The portfolio rose 6.50 percent while the index fell 7.22 percent for the period from May 1, 2001 (commencement of operations) to December 31, 2001.

Since it began operating, the portfolio's diversified approach to health care stock selection — particularly its balanced combination of health care service, medical device, biotechnology, and specialty and large-cap pharmaceutical stocks — served the portfolio well. Solid earnings growth helped many health care stocks provide positive results amid exceptional overall market weakness.

Between May and December, we boosted the portfolio's weighting in health care services stocks. The fund's positioning is primarily in hospital management stocks. Hospitals are enjoying some of the best earnings growth prospects in more than a decade amid an improvement in admissions, prices,and demographic trends.

On the other hand, many large-cap pharmaceutical stocks performed poorly during the year. Some major companies in this segment face fundamental earnings weakness because patents on some of their most profitable and top-selling products are expiring. We avoided some large-cap pharmaceutical stocks within the S&P 500, and this helped boost performance. Growth prospects among specialty pharmaceutical companies appear much brighter than prospects for large-cap pharmaceutical firms. New generic versions of several prescription drugs, including Prozac, an anti-depression drug, boosted industry sales this past year, benefiting specialty pharmaceutical firms.

Over the long term, we believe biotechnology may have the greatest growth potential of any industry within the health care sector. The portfolio's largest weighting is within this segment. We anticipate a significant increase in the number of new drugs that will treat illnesses more effectively and also reduce side effects. We have seen that happen in the areas of cancer, rheumatoid arthritis, and some respiratory disorders and have seen more advances in the treatment of diabetes and cardiovascular disease. However, we are also mindful that biotechnology stock prices are more volatile than other segments of health care, so we avoid being overexposed to this area. We believe most investors would prefer solid, consistent performance to a strategy that seeks top-level performance with a higher level of risk.

In our view, the long-term demographic picture will clearly continue to favor health care investors. Specialty and generic pharmaceutical firms could do especially well in an environment where the public demands affordable access to a wider variety of medicines and more specific medicines tailored to a person's biochemistry and genetic makeup. We see more partnerships evolving between large-cap pharmaceutical firms that face patent expirations and biotech and emerging companies that may excel at research but lack the capital resources to shepherd products through a long and expensive regulatory regime and clinical review.

Sincerely,

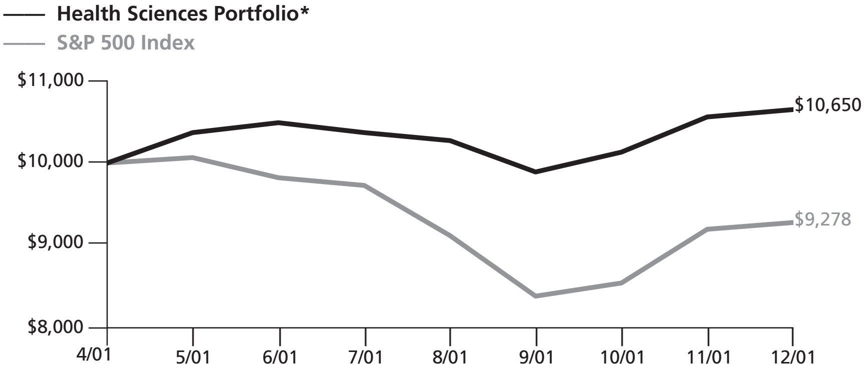
Your Portfolio Management Team

James E. Fenger
Lead Portfolio Manager

Anne T. Carney
Portfolio Manager

Health Sciences Portfolio

Growth of an Assumed $10,000 Investment



The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

		Life of Portfolio*
Health Sciences Portfolio	Growth of $10,000	$10,650
	Cumulative total return	6.50%
S&P 500 Index	Growth of $10,000	$9,278
	Cumulative total return	–7.22%

* *The Fund commenced operations on May 1, 2001. Index comparisons begin April 30, 2001.*

Returns in the period shown reflect a temporary fee and/or expense waiver. Without this waiver, returns would have been lower.

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.

Investments in funds involve risk. Some funds have more risk than others. These include funds that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in emerging market countries). Please read this fund's prospectus for specific details regarding its investments and risk profile.

Health Sciences Portfolio

Asset Allocation	12/31/01
Common Stocks	89%
Cash Equivalents	11%
	100%

Diversification (Excludes Cash Equivalents)	12/31/01
Health Care Services	20%
Small Cap Biotechnology	16%
Major Pharmaceuticals	16%
Medical Devices & Supplies	15%
Large Cap Biotechnology	14%
Specialty Pharmaceuticals	12%
Life Science Instruments & Reagents	6%
Diversified Manufacturing	1%
	100%

Ten Largest Equity Holdings at December 31, 2001 (28.9% of Portfolio)	
1. **Abbott Laboratories** Developer of health care products and services	4.9%
2. **Pfizer, Inc.** Manufacturer of prescription pharmaceuticals and non-prescription self-medications	4.0%
3. **American Home Products Corp.** Manufacturer and retailer of pharmaceuticals and consumer health care products	3.7%
4. **HCA-The Healthcare Co.** Operator of hospitals and health care facilities	3.0%
5. **Tenet Healthcare Corp.** Operator of specialty and general hospitals	2.5%
6. **Caremark Rx, Inc.** Provider of pharmaceutical services in the United States	2.3%
7. **Cephalon, Inc.** Developer of biopharmaceutical products	2.2%
8. **Genentech, Inc.** Developer and discoverer of human pharmaceuticals	2.2%
9. **Charles River Laboratories International, Inc.** Producer of research tools and services for drug discovery	2.1%
10. **Forest Laboratories, Inc.** Developer, manufacturer, and seller of both branded and generic forms of ethical products	2.0%

Asset allocation, sector diversification and holdings are subject to change.
A quarterly summary and portfolio holdings are available upon request.

Health Sciences Portfolio

	Shares	Value ($)
Common Stocks 88.6%		
Health 87.8%		
Health Care Services 17.5%		
AmerisourceBergen Corp.	10,900	692,695
Caremark Rx, Inc.*	83,000	1,353,730
HCA-The Healthcare Co.	45,500	1,753,570
Laboratory Corp. of America Holdings*	7,300	590,205
McKesson HBOC, Inc.	18,200	680,680
Medcath Corp.*	8,100	135,918
Priority Health Corp.*	14,400	506,736
Province Healthcare Co.*	27,700	854,822
Quest Diagnostics, Inc.*	5,900	423,089
Select Medical Corp.*	10,800	173,664
Tenet Healthcare Corp.*	24,500	1,438,640
Triad Hospitals, Inc.*	26,100	766,035
Universal Health Services, Inc.*	21,200	906,936
		10,276,720
Large Cap Biotechnology 12.5%		
Amgen, Inc.*	19,900	1,123,156
Biogen, Inc.*	15,900	911,865
Genentech, Inc.*	23,300	1,264,025
Genzyme Corp. (General Division)*	13,600	814,096
Gilead Sciences, Inc.*	16,000	1,051,520
IDEC Pharmaceuticals Corp.*	15,900	1,095,987
MedImmune, Inc. *	22,800	1,056,780
		7,317,429
Life Science Instruments & Reagents 5.4%		
Charles River Laboratories International, Inc.*	35,900	1,201,932
Invitrogen Corp.*	16,300	1,009,459
Techne Corp.*	7,900	291,115
Waters Corp.*	17,399	674,249
		3,176,755
Major Pharmaceuticals 14.0%		
American Home Products Corp.	35,800	2,196,688
Aventis SA	7,000	497,624
Eli Lilly & Co.	12,500	981,750
GlaxoSmithKline PLC (ADR)	19,950	993,909
Pfizer, Inc.	58,600	2,335,210
Pharmacia Corp.	18,400	784,760
Sanofi-Synthelabo SA	5,700	425,786
		8,215,727
Medical Devices & Supplies 13.2%		
Abbott Laboratories	52,000	2,899,000
Baxter International, Inc.	16,300	874,169
Biomet, Inc.	33,400	1,032,060
Diagnostic Products Corp.	10,300	452,685
Johnson & Johnson	19,300	1,140,630
Medtronic, Inc.	12,400	635,004
TheraSense, Inc.*	3,100	76,880

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Zimmer Holdings, Inc.*	20,500	626,070
		7,736,498
Small Cap Biotechnology 14.6%		
Alkermes, Inc.*	9,500	250,420
Celgene Corp.*	13,800	440,496
Celltech Group PLC*	39,900	507,780
Cephalon, Inc.*	17,300	1,307,621
Cubist Pharmaceuticals, Inc.*	8,100	291,276
Enzon, Inc.*	6,400	360,192
Exelixis, Inc.*	11,100	184,482
ICOS Corp.*	8,700	499,728
ILEX Oncology, Inc.*	20,800	562,432
ImmunoGen, Inc.*	24,900	412,842
Inspire Pharmaceuticals, Inc.*	29,400	414,246
Neurocrine Biosciences, Inc.*	12,500	641,375
NPS Pharmaceuticals, Inc.*	26,600	1,018,780
OSI Pharmaceuticals, Inc.*	11,900	544,306
Protein Design Labs, Inc.*	8,300	273,319
Transkaryotic Therapies, Inc.*	13,700	586,360
XOMA Ltd.*	26,200	258,070
		8,553,725
Specialty Pharmaceuticals 10.6%		
Altana AG	10,600	528,190
Barr Laboratories, Inc.*	7,400	587,264
Forest Laboratories, Inc.*	14,400	1,180,080
ICN Pharmaceuticals, Inc.	16,300	546,050
King Pharmaceuticals, Inc.*	15,933	671,257
Kyorin Pharmaceutical Co., Ltd.	17,000	439,110
Novo Nordisk A/S	12,500	511,381
Pharmaceutical Resources, Inc.*	18,800	635,440
Sicor, Inc.*	15,000	235,200
Teva Pharmaceutical Industries, Ltd. (ADR)	14,600	899,798
		6,233,770
Manufacturing 0.8%		
Diversified Manufacturing		
Tyco International Ltd.	7,600	447,640
Total Common Stocks (Cost $49,463,054)		**51,958,264**

	Principal Amount ($)	Value ($)
Cash Equivalents 11.4%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $6,671,924)	6,671,924	**6,671,924**
Total Investment Portfolio — 100.0% (Cost $56,134,978) (a)		**58,630,188**

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $56,313,766. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $2,316,422. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,977,826 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $661,404.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The unaudited rate shown is the annualized seven-day yield at period end.*

Purchases and sales of investment securities (excluding short-term investments), for the year ended December 31, 2001, aggregated $54,665,681 and $4,737,412, respectively.

At December 31, 2001, the Health Sciences Portfolio had a net tax basis capital loss carryforward of approximately $305,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009, the expiration date.

From November 1, 2001 through December 31, 2001, the Health Sciences Portfolio incurred approximately $22,400 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2002.

The accompanying notes are an integral part of the financial statements.

Health Sciences Portfolio

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $56,134,978)	$	58,630,188
Cash		10,000
Dividends receivable		12,450
Interest receivable		7,937
Receivable for Portfolio shares sold		477,784
Total assets		59,138,359
Liabilities		
Payable for investments purchased		3,081,953
Payable for Portfolio shares redeemed		4,692
Accrued management fee		33,927
Other accrued expenses and payables		39,535
Total liabilities		3,160,107
Net assets, at value	**$**	**55,978,252**
Net Assets		
Net assets consist of:		
Net unrealized appreciation (depreciation) on:		
Investments		2,495,210
Foreign currency related transactions		(2,619)
Accumulated net realized gain (loss)		(505,994)
Paid-in capital		53,991,655
Net assets, at value	**$**	**55,978,252**
Net Asset Value		
Net Asset Value, offering and redemption price per share ($55,978,252 ÷ 5,257,558 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**10.65**

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the period May 1, 2001 (commencement of operations) to December 31, 2001

Investment Income

Income:	
Dividends (net of foreign taxes withheld of $596)	$ 43,775
Interest	44,597
Total Income	88,372
Expenses:	
Management fee	94,344
Custodian fees	12,900
Accounting fees	33,884
Auditing	17,738
Legal	1,126
Trustees' fees and expenses	1,736
Reports to shareholders	2,754
Registration fees	12,056
Other	362
Total expenses, before expense reductions	176,900
Expense reductions	(57,410)
Total expenses, after expense reductions	119,490
Net investment income (loss)	**(31,118)**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(505,994)
Foreign currency related transactions	(2,861)
	(508,855)
Net unrealized appreciation (depreciation) during the period on:	
Investments	2,495,210
Foreign currency related transactions	(2,619)
	2,492,591
Net gain (loss) on investment transactions	**1,983,736**
Net increase (decrease) in net assets resulting from operations	**$ 1,952,618**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	For the Period May 1, 2001 (commencement of operations) to December 31, 2001
Operations:	
Net investment income (loss)	$ (31,118)
Net realized gain (loss) on investment transactions	(508,855)
Net unrealized appreciation (depreciation) on investment transactions during the period	2,492,591
Net increase (decrease) in net assets resulting from operations	1,952,618
Portfolio share transactions:	
Proceeds from shares sold	54,604,262
Cost of shares redeemed	(1,078,628)
Net increase (decrease) in net assets from Portfolio share transactions	53,525,634
Increase (decrease) in net assets	55,478,252
Net assets at beginning of period (original capital)	500,000
Net assets at end of period	**$ 55,978,252**

Other Information

Shares outstanding at beginning of period (original capital)	50,000
Shares sold	5,315,141
Shares redeemed	(107,583)
Net increase (decrease) in Portfolio shares	5,207,558
Shares outstanding at end of period	**5,257,558**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Health Sciences Portfolio

	2001[a]
Selected Per Share Data	
Net asset value, beginning of period	**$ 10.00**
Income (loss) from investment operations:	
Net investment income[b]	(.02)
Net realized and unrealized gain (loss) on investment transactions	.67
Total from investment operations	.65
Net asset value, end of period	**$ 10.65**
Total Return (%)	6.50[c]**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period ($ millions)	56
Ratio of expenses before expense reductions (%)	1.40*
Ratio of expenses after expense reductions (%)	.95*
Ratio of net investment income (loss) (%)	(.25)*
Portfolio turnover rate (%)	34*

[a] *For the period May 1, 2001 (commencement of operations) to December 31, 2001.*

[b] *Based on average shares outstanding during the period.*

[c] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

A. Significant Accounting Policies

Scudder Variable Series I, formerly Scudder Variable Life Investment Fund (the "Fund") is registered under the Investment Company Act of 1940 (the "1940 Act"), as amended, as an open-end, diversified management investment company organized as a Massachusetts business trust. Its shares are divided into nine separate diversified series, called "Portfolios." These financial statements report on six Portfolios which consist of the Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio (formerly Small Company Growth Portfolio), Global Discovery Portfolio, International Portfolio and Health Sciences Portfolio (which commenced operations on May 1, 2001). The Fund is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Fund offers one class of shares for the Health Sciences Portfolio. Two classes of shares (Class A shares and Class B shares) are offered for each of the other Portfolios. Class B shares are subject to Rule 12b-1 fees under the 1940 Act, equal to an annual rate of up to 0.25% of the average daily net assets value of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 fee). Differences in class expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Fund in the preparation of the financial statements for its Portfolios.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price reported on the exchange (U.S. or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Fund. If the pricing services are unable to provide valuations, securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from one or more broker-dealers. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Zurich Scudder Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees.

Foreign Currency Translations. The books and records of the Portfolios are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. Each Portfolio may enter into repurchase agreements with certain banks and broker/dealers whereby the Portfolio, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the market value is equal to at least the principal amount of the repurchase price plus accrued interest.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio may enter into futures contracts as a hedge against anticipated interest rate, currency or equity market changes, and for duration management, risk management and return enhancement purposes.

Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the Portfolio dependent upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. When entering into a closing transaction, the Portfolio will realize a gain or loss equal to the difference between the initial value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the Portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the Portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Forward Currency Exchange Contracts. A forward currency exchange contract (forward contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. The Portfolio may enter into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses on forward currency exchange contracts are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

The Global Discovery Portfolio and International Portfolio entered into forward currency exchange contracts during the year ended December 31, 2001.

When-Issued/Delayed Delivery Securities. Each Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time a Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Federal Income Taxes. Each Portfolio is treated as a separate taxpayer as provided for in the Internal Revenue Code of 1986, as amended. It is each Portfolio's policy to comply with the requirements of the Internal Revenue Code, which are applicable to regulated investment companies, and to distribute all of its taxable income to the separate accounts of the Participating Insurance Companies which hold its shares. Accordingly, the Portfolios paid no federal income taxes and no federal income tax provision was required.

Distribution of Income and Gains. The Portfolios will declare and distribute dividends from their net investment income, if any, in April, although additional distributions may be made if necessary. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to each Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in forward contracts, passive foreign investment companies, post October loss deferrals, non-taxable distributions, certain securities sold at a loss and premium amortization on debt securities. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

At December 31, 2001, the Portfolios' components of distributable earnings on a tax-basis are as follows:

Portfolio	Undistributed ordinary income*	Undistributed net long-term capital gains	Capital loss carryforwards	Unrealized gain (loss) on investments
Growth and Income Portfolio	$ 1,578,675	$ —	$ 12,650,000	$ 6,411,255
Capital Growth Portfolio	2,188,549	—	18,038,000	(11,229,105)
21st Century Growth Portfolio	—	—	13,382,000	3,185,757
Global Discovery Portfolio	—	—	24,864,000	(8,339,149)
International Portfolio	3,818,719	—	133,060,000	(25,505,256)
Health Sciences Portfolio	—	—	305,000	2,316,422

In addition, during the year ended December 31, 2001 the tax character of distributions paid by the Portfolios are summarized as follows:

Portfolio	Distributions from ordinary income*	Distributions from long-term capital gains
Growth and Income Portfolio	$ (2,209,728)	$ (4,219,419)
Capital Growth Portfolio	(11,450,868)	(108,640,499)
21st Century Growth Portfolio	—	—
Global Discovery Portfolio	—	(2,840,073)
International Portfolio	(2,534,966)	(118,912,248)
Health Sciences Portfolio	—	—

* *For tax purposes short-term capital gains distributions are considered ordinary income distributions.*

Other. Investment transactions are accounted for on the trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of applicable withholding tax. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis.

All discounts and premiums are accreted/amortized for financial reporting purposes.

Expenses. Each Portfolio is charged for those expenses which are directly attributable to it, such as management fees and custodian fees, while other expenses (reports to shareholders, legal and audit fees) are allocated among the Portfolios.

B. Ownership of the Portfolios

At the end of the period, the beneficial ownership in the Portfolios was as follows:

Growth and Income Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 27%, 24% and 21%, respectively. One Participating Insurance Company was owner of record of 95% of the total outstanding Class B shares of the Portfolio.

Capital Growth Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 43%, 15% and 12%, respectively. One Participating Insurance Company was owner of record of 100% of the total outstanding Class B shares of the Portfolio.

21st Century Growth Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 59%, 18% and 15%, respectively. One Participating Insurance Company was owner of record of 100% of the total outstanding Class B shares of the Portfolio.

Global Discovery Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 50%, 30% and 12%, respectively. One Participating Insurance Company was owner of record of 98% of the total outstanding Class B shares of the Portfolio.

International Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 20%, 14% and 12%, respectively. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 75% and 10%, respectively.

Health Sciences Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding shares of the Portfolio, each owning 80% and 19%, respectively.

C. Related Parties

Under the Trust's management agreement with Zurich Scudder Investments, Inc., ("ZSI" or the "Advisor"), formerly Scudder Kemper Investments, Inc., the Portfolios pay a monthly investment management fee, based on the average daily net assets of each Portfolio, payable monthly, at the annual rates shown below.

Portfolio	Annual Management Fee Rate
Growth and Income Portfolio	0.475%
21st Century Growth Portfolio	0.875%
Global Discovery Portfolio	0.975%

The Capital Growth Portfolio pays ZSI a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first $500 million	0.475%
next $500 million	0.450%
over $1 billion	0.425%

For the year ended December 31, 2001, the Capital Growth Portfolio incurred a management fee equivalent to an annual effective rates of 0.46% of the Portfolio's average annual daily net assets.

The International Portfolio pays ZSI a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first $500 million	0.875%
over $500 million	0.725%

For the year ended December 31, 2001, the International Portfolio incurred a management fee equivalent to an annual effective rates of 0.84% of the Portfolio's average annual daily net assets.

The Health Sciences Portfolio pays ZSI a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first $250 million	0.750%
next $750 million	0.725%
next $1.5 billion	0.700%
next $2.5 billion	0.680%
next $2.5 billion	0.650%
next $2.5 billion	0.640%
next $2.5 billion	0.630%
over $12.5 billion	0.620%

For the period May 1, 2001 (commencement of operations) to December 31, 2001, the Health Sciences Portfolio incurred a management fee equivalent to an annual effective rate of 0.56% of the Portfolio's average annual daily net assets. During the period the Portfolio waived a portion of Management Fee which aggregated $23, 371 and additionally waived all accounting fees.

Until April 30, 2002, the Advisor has agreed to maintain the expenses for the 21st Century Portfolio, the Global Discovery Portfolio and the Health Sciences Portfolio, excluding 12b-1 fees, to the extent necessary so that the Portfolios' expenses are maintained at 1.50%, 1.25% and 0.95%, respectively, of average daily net assets.

On December 4, 2001, Deutsche Bank and Zurich Financial Services announced that they have signed a definitive agreement under which Deutsche Bank will acquire 100% of ZSI, with the exception of Threadneedle Investments in the U.K. Because the transaction would constitute an assignment of the Portfolio's investment management agreements with ZSI under the 1940 Act and, therefore, a termination of those agreements, ZSI intends to seek approval of new agreements from the Portfolio's shareholders. The transaction is expected to be completed, subject to regulatory approval and satisfaction of other conditions, in the first half of 2002.

The Trustees authorized the Fund on behalf of each Portfolio to pay Scudder Fund Accounting Corp., a subsidiary of the Advisor, for determining the daily net asset value per share and maintaining the portfolio and general accounting records of the Fund. Scudder Service Corporation, a subsidiary of the Advisor, is the transfer and shareholder service agent of the Fund.

In accordance with the Master Distribution Plan, Scudder Investor Services, Inc. ("SIS"), a subsidiary of the Advisor, receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, SIS remits these fees to the Participating Insurance Companies for various costs incurred or paid by these companies in connection with marketing and distribution of Class B shares. These fees are detailed in each Portfolio's statement of operations.

The Fund pays each Trustee not affiliated with the Advisor an annual retainer plus specified amounts for attended board and committee meetings. Allocated Trustees' fees and expenses for each Portfolio for the period ended December 31, 2001 are detailed in each Portfolio's statement of operations. In addition, a one-time fee was accrued for payment to those Trustees not affiliated with the Advisor who are not standing for re-election, under the reorganization discussed in Note G. Inasmuch as the Advisor will also benefit from administrative efficiencies of a consolidated Board, the Advisor has agreed to bear all of such costs.

Portfolio	Trustee Severance Absorbed by ZSI ($)
Growth and Income Portfolio	19,724
Capital Growth Portfolio	112,425
21st Century Growth Portfolio	2,636
Global Discovery Portfolio	17,074
International Portfolio	74,892

Zurich Scudder Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Fund may invest in the Zurich Scudder Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by Zurich Scudder Investments, Inc. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay ZSI a management fee for the affiliated Funds' investments in the QP Trust. Distributions from the QP Trust to the Portfolios are reflected as interest income on the Statement of Operations. The distributions for the year ended December 31, 2001 were as follows:

Portfolio	Distribution ($)
Growth and Income Portfolio	174,030
Capital Growth Portfolio	614,122
21st Century Growth Portfolio	83,291
Health Sciences Portfolio	42,498

D. Forward Foreign Currency Commitments

As of December 31, 2001, the Global Discovery Portfolio had entered into the following forward currency exchange contracts resulting in net unrealized appreciation of $291,702:

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.$)
JPY	868,051,050	USD	6,900,000	2/13/2002	291,702

As of December 31, 2001, the International Portfolio had entered into the following forward currency exchange contracts resulting in net unrealized appreciation of $1,174,467:

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.$)
JPY	2,771,522,424	USD	21,780,000	3/19/2002	645,712
JPY	2,786,859,900	USD	21,780,000	3/19/2002	528,755

Currency Abbreviation	
JPY	Japanese Yen
USD	U.S. Dollar

E. Line of Credit

The Fund and several other affiliated funds (the "Participants") share in a $1 billion revolving credit facility with J.P. Morgan Chase & Co. for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, pro rata based on net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. Each Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

F. Expense Off-Set Arrangements

The Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio and Health Sciences Portfolio have entered into an arrangement with their custodian whereby credits as a result of uninvested cash balances were used to reduce a portion of the Portfolios' expense. During the year ended December 31, 2001, the custodian fees were reduced as follows:

Portfolio	Custody Credits ($)
Growth and Income Portfolio	324
Capital Growth Portfolio	1,044
21st Century Growth Portfolio	1,319
Health Sciences Portfolio	155

G. Reorganization

ZSI has completed a program to reorganize and combine its two fund families, Scudder and Kemper, in response to changing industry conditions and investor needs. The program streamlines the management and operations of most of the funds ZSI advises principally through the liquidation of several small funds, mergers of certain funds with similar investment objectives, the consolidation of certain Board of Directors/Trustees and the adoption of an administrative fee covering the provision of most of the services previously paid for by the affected funds. Costs incurred in connection with this restructuring initiative were borne jointly by ZSI and certain of the affected funds.

Report of Independent Accountants

To the Trustees and Shareholders of Scudder Variable Series I (formerly Scudder Variable Life Investment Fund):

In our opinion, the accompanying statements of assets and liabilities, including the investment portfolios, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the six Portfolios (identified in Note A) of Scudder Variable Series I (the "Fund") at December 31, 2001 and the results of their operations, the changes in their net assets, and the financial highlights for the periods indicated therein, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2001 by correspondence with the custodians, provide a reasonable basis for our opinion.

Boston, Massachusetts
February 18, 2002

PricewaterhouseCoopers LLP

Tax Information

(Unaudited)

The Growth and Income Portfolio, Capital Growth Portfolio, Global Discovery Portfolio and International Portfolio paid distributions of $0.217, $2.305, $0.186 and $2.25 per share, respectively, from net long-term capital gains during the year ended December 31, 2001, of which 100% represents 20% rate gains.

Pursuant to section 854 of the Internal Revenue Code, the percentages of income dividends paid in calendar year 2001 which qualify for the dividends received deduction are as follows: Growth and Income Portfolio 100%, and Capital Growth Portfolio 100%.

The International Portfolio paid foreign taxes of $1,404,465 and earned $4,354,655 of foreign source income during the year ended December 31, 2001. Pursuant to section 853 of the Internal Revenue Code, the International Portfolio designates $0.02 per share as foreign taxes paid and $0.06 per share as income earned from foreign sources for the year ended December 31, 2001.

Please consult a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please call 1-800-SCUDDER.

Shareholder Meeting Results

A Special Meeting of Shareholders (the "Meeting") of Scudder Variable Series I (the "Trust") was held on March 14, 2001, at the office of Zurich Scudder Investments, Inc., Two International Place, Boston, MA 02110. At the Meeting, the following matter was voted upon by the shareholders of all series of the Trust, voting together:

1. To elect Trustees of the Trust to hold office until their respective successors have been duly elected and qualified or until their earlier resignation or removal.

	Number of Votes:	
Trustee	**For**	**Withheld**
Henry P. Becton, Jr.	261,689,642	11,958,451
Linda C. Coughlin	261,685,614	11,962,479
Dawn-Marie Driscoll	261,750,481	11,897,612
Edgar R. Fiedler	261,693,681	11,954,412
Keith R. Fox	261,764,094	11,883,999
Joan Edelman Spero	261,406,760	12,242,333
Jean Gleason Stromberg	261,603,472	12,044,621
Jean C. Tempel	261,729,906	11,918,187
Steven Zaleznick	261,620,746	12,027,347

The following matter was voted upon by the shareholders of each series, voting separately:

2. To ratify the selection of PricewaterhouseCoopers LLP as the independent accountants for each series for the current fiscal year.

	Number of Votes:		
Portfolio	**Affirmative**	**Against**	**Abstain**
Balanced Portfolio	11,892,874	568,078	211,552
Bond Portfolio	12,577,695	176,271	344,372
Capital Growth Portfolio	44,947,417	485,355	861,492
Global Discovery Portfolio	13,710,895	142,795	436,501
Growth and Income Portfolio	15,858,828	199,062	591,272
International Portfolio	46,842,120	2,225,143	1,219,234
Money Market Portfolio	112,615,035	158,017	2,519,594
21st Century Growth Portfolio	3,502,738	29,049	118,127

Trustees and Officers

The following table presents information about each Trustee of the fund as of December 31, 2001. Each Trustee's age is in parentheses after his or her name. Unless otherwise noted, the address of each Trustee is c/o Zurich Scudder Investments, Inc., Two International Place, Boston, Massachusetts 02110-4103. The term of office for each Trustee is until the next meeting of shareholders called for the purpose of electing Trustees and until the election and qualification of a successor, or until such Trustee sooner dies, resigns or is removed as provided in the governing documents of the fund. Because the fund does not hold an annual meeting of shareholders, each Trustee will hold office for an indeterminate period.

Non-Interested Trustees

Name, Age and Position(s) Held with the Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held
Henry P. Becton (68)				
Trustee	2001 to present	President, WGBH Educational Foundation	49	American Public Television; New England Aquarium; Becton Dickinson and Company; Mass Corporation for Educational Telecommunications; The A.H. Belo Company; Committee for Economic Development; Concord Academy; Public Broadcasting Service; Boston Museum of Science
Dawn-Marie Driscoll (55)				
Trustee	2001 to present	President, Driscoll Associates (consulting firm); Executive Fellow, Center for Business Ethics, Bentley College	49	Computer Rescue Squad; Advisory Board, Center for Business Ethics, Bentley College; Board of Governors, Investment Company Institute; Chairman, ICI Directors Services Committee
Edgar R. Fiedler (72)				
Trustee	2001 to present	Senior Fellow and Economic Counsellor, The Conference Board, Inc. (not-for-profit business research organization)	49	None
Keith R. Fox (57)				
Trustee	2001 to present	Managing Partner, Exeter Capital Partners (private equity funds)	49	Facts on File (school and library publisher); Progressive (kitchen importer and distributor)
Jean Gleason Stromberg (58)				
Trustee	2001 to present	Consultant (1997 to present); prior thereto, Director, U.S. General Accounting Office (1996-1997); Partner, Fulbright & Jaworski (law firm) (1978-1996)	49	The William and Flora Hewlett Foundation
Jean C. Tempel (58)				
Trustee	2001 to present	Managing Partner, First Light Capital (venture capital group)	49	United Way of Mass Bay; Sonesta International Hotels, Inc.; Northeastern University Funds and Endowment Committee; Connecticut College Finance Committee; Commonwealth Institute (not-for-profit start-up for women's enterprises); The Reference, Inc. (IT consulting for financial services)

Interested Trustees

Name, Age and Position(s) Held with the Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held
Linda C. Coughlin* (49)				
Trustee and President	2001 to present	Managing Director, Zurich Scudder Investments, Inc.	134	None
Steven Zaleznick (47)**				
Trustee	2001 to present	President and CEO, AARP Services, Inc. (1999 to present); prior thereto, General Counsel and Acting Director/Membership, AARP	49	None

* *Ms. Coughlin is considered an "interested person" because of her affiliation with the fund's investment manager.*

** *Mr. Zaleznick may be considered an "interested person" because of his affiliation with AARP.*

The following table presents information about each Officer of the fund. Each Officer's age as of December 31, 2001 is in parentheses after his or her name. Unless otherwise noted, the address of each Officer is c/o Zurich Scudder Investments, Inc., Two International Place, Boston, Massachusetts 02110-4103. The President, Treasurer and Secretary each holds office until the first meeting of the Trustees in each calendar year and until his or her successor is duly elected and qualified; all other officers hold offices as the Trustees permit in accordance with the By-Laws of the fund.

Officers

Name and Age	Position(s) Held with the Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years
Linda C. Coughlin (49)	President	2000 to present	Managing Director, Zurich Scudder Investments, Inc.
Thomas V. Bruns (44)	Vice President	2001 to present	Managing Director, Zurich Scudder Investments, Inc.
Robert S. Cessine (51)	Vice President	1999 to present	Managing Director, Zurich Scudder Investments, Inc.
Irene T. Cheng (47)	Vice President	1997 to present	Managing Director, Zurich Scudder Investments, Inc.
Peter Chin (59)	Vice President	1999 to present	Managing Director, Zurich Scudder Investments, Inc.
James E. Fenger (42)	Vice President	2001 to present	Managing Director, Zurich Scudder Investments, Inc.
William F. Gadsden (46)	Vice President	1996 to present	Managing Director, Zurich Scudder Investments, Inc.
William F. Glavin, Jr. (43)	Vice President	2001 to present	Managing Director, Zurich Scudder Investments, Inc. (April 1997 to present); prior thereto, Executive Vice President of Market and Product Development, The Dreyfus Corporation
James E. Masur (41)	Vice President	2001 to present	Managing Director, Zurich Scudder Investments, Inc. (1997 to present); prior thereto, Director of Finance, Dreyfus Retirement Services
Kathleen T. Millard (41)	Vice President	1999 to present	Managing Director, Zurich Scudder Investments, Inc.
Gerald T. Moran (62)	Vice President	1996 to present	Managing Director, Zurich Scudder Investments, Inc.
Frank J. Rachwalski, Jr. (56)	Vice President	1998 to present	Managing Director, Zurich Scudder Investments, Inc.
Howard Schneider (44)	Vice President	2001 to present	Managing Director, Zurich Scudder Investments, Inc.
John Millette (39)	Vice President and Secretary	1999 to present	Vice President, Zurich Scudder Investments, Inc.
Kathryn L. Quirk (49)	Vice President and Assistant Secretary	1985 to present	Managing Director, Zurich Scudder Investments, Inc.
Gary L. French (50)	Treasurer	2002 to present	Managing Director, Zurich Scudder Investments, Inc. (2001 to present); prior thereto, President, UAM Fund Services, Inc.
John R. Hebble (43)	Assistant Treasurer	1998 to present	Senior Vice President, Zurich Scudder Investments, Inc.
Thomas Lally (34)	Assistant Treasurer	2001 to present	Senior Vice President, Zurich Scudder Investments, Inc.
Brenda Lyons (38)	Assistant Treasurer	2000 to present	Senior Vice President, Zurich Scudder Investments, Inc.
Caroline Pearson (39)	Assistant Secretary	1997 to present	Managing Director, Zurich Scudder Investments, Inc. (1997 to present); prior thereto, Associate, Dechert Price & Rhoads (law firm)

Notes

About the Fund's Advisor

Zurich Scudder Investments, Inc., is a leading global investment management firm, managing more than $325 billion in assets for corporate clients, retirement and pension plans, insurance companies, mutual fund investors, and individuals worldwide. Headquartered in New York, Zurich Scudder Investments offers a full range of investment counsel and asset management capabilities, based on a combination of proprietary research and disciplined, long-term investment strategies.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time, based on market and other conditions.

Zurich Scudder Investments, Inc.
Two International Place
Boston, MA 02110
1–800–862–2038

SVSI-A-121
Form-V

SCUDDER
INVESTMENTS

SCUDDER
INVESTMENTS

Annual report to
shareholders for the year
ended December 31, 2001

Scudder Variable Series II

Scudder Aggressive Growth Portfolio
Scudder Blue Chip Portfolio
Scudder Contrarian Value Portfolio
Scudder Global Blue Chip Portfolio
Scudder Government Securities Portfolio
Scudder Growth Portfolio
Scudder High Yield Portfolio
Scudder International Research Portfolio
Scudder Investment Grade Bond Portfolio
Scudder Money Market Portfolio
Scudder New Europe Portfolio
Scudder Small Cap Growth Portfolio
Scudder Small Cap Value Portfolio
Scudder Strategic Income Portfolio
Scudder Technology Growth Portfolio
Scudder Total Return Portfolio
SVS Dreman Financial Services Portfolio
SVS Dreman High Return Equity Portfolio
SVS Dynamic Growth Portfolio
SVS Focus Value+Growth Portfolio
SVS Focused Large Cap Growth Portfolio
SVS Growth and Income Portfolio
SVS Growth Opportunities Portfolio
SVS Index 500 Portfolio
SVS Mid Cap Growth Portfolio
SVS Strategic Equity Portfolio
SVS Venture Value Portfolio

Contents

Economic Overview

Dear Shareholder:

There's no longer any doubt that the United States is in the midst of a recession. But the question everyone's asking is, how will we get out of it — and when will it be over?

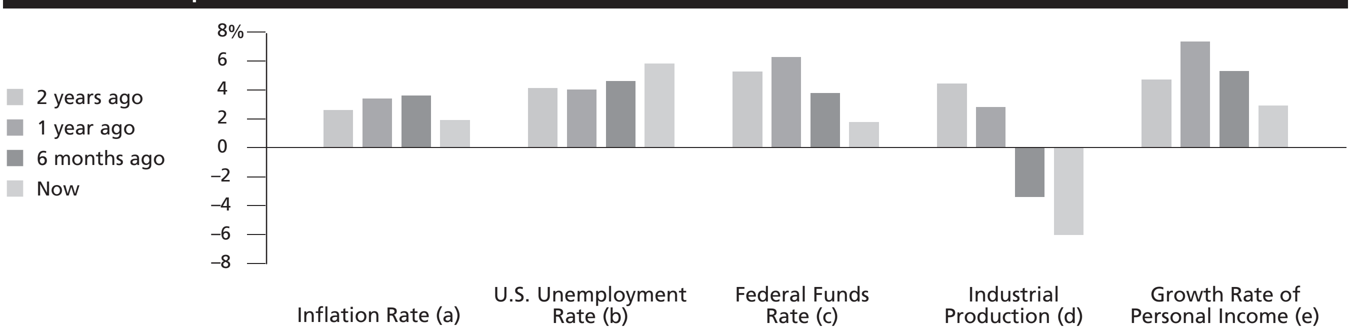
With Japan lingering in recession and Europe still in the doldrums, it will likely fall to the United States to lead the way forward, despite its own recession. With respect to timing, a variety of factors suggest that we'll see a recovery soon — but it will be less than robust.

There are factors that could delay the onset of recovery and weaken its eventual strength. For example, a country's currency usually weakens in a recession, but the dollar continues to climb, hurting exports. Home and auto sales — whose recovery typically propels an overall economy recovery — have not fallen as they usually do, so how can they recover? And excess investment during the bubble years has littered the landscape with underutilized facilities and crushed profits, dimming the jobs and investment outlook.

However, there are also unusually powerful forces for growth. Tax cuts already on the books are taking effect, and military and security spending are jumping. Oil prices have sunk, leaving more money for consumers and businesses to spend on other things. And perhaps most importantly, the Federal Reserve Board has pulled out all the stops and is flooding the system with money.

That last point is worth discussing in more detail, because those who remember the 1970s might wonder how the Fed has gotten away with printing so much money without reigniting inflation. One reason is foreigners' insatiable appetite for the dollar. Ordinarily, if a central banker tries to print his way out of economic hard times, he gets a quick reprimand from the currency markets. He then faces a tough choice: Raise interest rates to protect his currency or face inflation caused by a weakened exchange rate which raises the cost of imports. But these are not ordinary times. While the dollar's fundamentals may appear less than stellar, global capital finds the alternatives even less appealing. Barring a turn in the dollar's fortune, the Fed should feel free to keep its foot on the gas.

Economic Guideposts Data as of 12/31/01



(a) The year-over-year percentage change in U.S. consumer prices.
(b) The percentage of adults out of work and looking for a job.
(c) The interest rate banks charge each other for overnight loans.
(d) Year-over-year percentage change.
(e) Growth rate of individual income from all sources.
Sources: Bloomberg Business News, Zurich Scudder Investments, Inc.

In summary, we believe that policy stimulus should be successful in nudging the economy back to health early this year, even if growth will not return to late 90s levels any time soon. Indeed, the markets — which tend to be forward looking — are already supporting this theory as evidenced by a sharp rebound in the U.S. markets during the final three months of the year. Investors were also cheered by news of the significant gains made by the United States in the war on terrorism, and several announcements from high-profile corporations that earnings should pick up in the year ahead helped provide additional support for the markets.

Zurich Scudder Investments, Inc.
Economics Group

January 1, 2002

The sources, opinions and forecasts expressed are those of the economic advisors of Zurich Scudder Investments, Inc. as of January 1, 2002, and may not actually come to pass.

Scudder Aggressive Growth Portfolio

Scudder Aggressive Growth Portfolio fell 21.76 percent for the 12-month period ended December 31, 2001. The portfolio's benchmark — the unmanaged Standard & Poor's 500 Index — fell 11.88 percent over the same period. As you know, the portfolio's risk profile is much higher than that of the overall equity market. Aggressive growth stocks were especially hard hit for most of 2001 as the U.S. economy's short-term growth prospects fizzled.

Information technology stocks suffered the largest decline of any sector during the year. Many software, telecommunications and Internet-related companies lost more than half their value. Some fell as much as 90 percent. We maintained a high cash position in an effort to preserve capital. However, beginning in April 2001, many of the portfolio's historical performance pillars collapsed as a wave of selling left few aggressive growth stocks unscathed. The health care sector was one of the few areas in which stocks provided positive yearly returns.

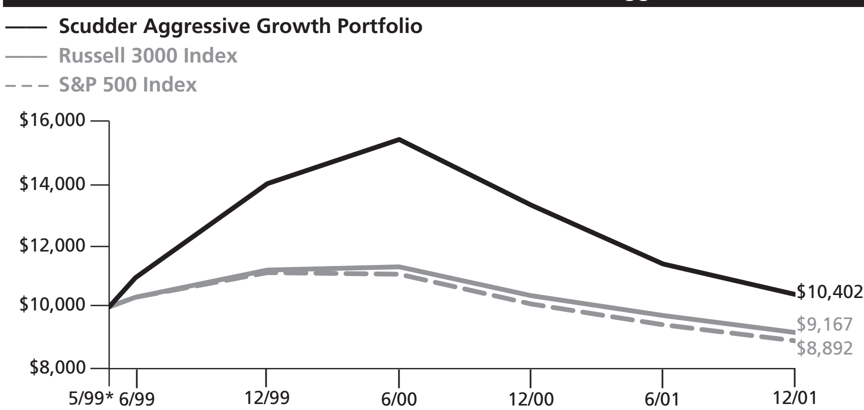
Market conditions have made our stock-screening process more challenging and yet more important than ever. We believe it is imperative to closely monitor the fundamental operations of every stock in the portfolio, particularly technology companies and smaller businesses. We look for companies that historically have had the lowest probability of negative earnings surprises.

In the year ahead, we believe investors are likely to focus on a company's ability to preserve profitability in the face of weakening sales and service revenues. Based on our analysis, the portfolio's holdings have strong long-term survivability prospects, generally operate in niche markets and enjoy solid franchises. We anticipate rapidly employing our cash position as opportunities rise to add high quality companies at stock prices that do not reflect their long-term growth potential.

In managing the portfolio, our approach is that of a business owner, not a stock player. We were encouraged to see that the portfolio substantially outperformed the S&P 500 Index in the fourth quarter. We believe this is because we have remained true to the portfolio's aggressive growth-style mandate. We believe attitudes about investing are beginning to change, and many people are looking at an economic recovery for 2002.

Sewall F. Hodges
Lead Portfolio Manager, Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Aggressive Growth Portfolio from 5/1/1999 to 12/31/2001



The Russell 3000 Index is an unmanaged index composed of the largest-capitalized U.S.-domiciled companies whose stocks trade in the U.S. The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Annual Average Total Return[1]

For the periods ended December 31, 2001	1-Year	Life of Portfolio	
Scudder Aggressive Growth Portfolio	–21.76%	1.49%	(Since 5/1/1999)

* *The Portfolio commenced operations on May 1, 1999. Index comparisons begin April 30, 1999.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Aggressive Growth Portfolio

	Shares	Value ($)
Common Stocks 71.4%		
Communications 1.7%		
Telephone / Communications		
JDS Uniphase Corp.*	21,660	189,092
Time Warner Telecom, Inc. "A"*	58,300	1,031,327
		1,220,419
Consumer Discretionary 1.4%		
Recreational Products		
Harley-Davidson, Inc.	17,700	961,287
Consumer Staples 0.4%		
Package Goods / Cosmetics		
Estee Lauder Companies, Inc. "A"	9,200	294,952
Durables 0.9%		
Telecommunications Equipment		
Sonus Networks, Inc.*	16,200	74,844
Spectrasite Holdings, Inc.*	152,400	547,116
		621,960
Energy 6.4%		
Oil & Gas Production 5.5%		
Anadarko Petroleum Corp.	11,100	631,035
EOG Resources, Inc.	29,400	1,149,834
Nabors Industries, Inc.*	34,500	1,184,385
Talisman Energy, Inc.	24,300	923,461
		3,888,715
Oilfield Services / Equipment 0.9%		
Precision Drilling Corp. "A"*	24,900	642,918
Financial 3.2%		
Banks 2.3%		
State Street Corp.	31,000	1,619,750
Insurance 0.9%		
Progressive Corp.	4,100	612,130
Health 8.6%		
Health Industry Services 0.8%		
DaVita, Inc.*	23,500	574,575
Medical Supply & Specialty 5.6%		
Andrx Group*	31,100	2,189,751
Medtronic, Inc.	22,998	1,177,728
Waters Corp.*	14,600	565,749
		3,933,228

	Shares	Value ($)
Pharmaceuticals 2.2%		
Biovail Corp.*	22,500	1,265,625
Teva Pharmaceutical Industries Ltd. (ADR)	5,000	308,150
		1,573,775
Manufacturing 0.7%		
Electrical Products		
Nanometrics, Inc.*	25,400	492,760
Media 1.8%		
Broadcasting & Entertainment		
Univision Communication, Inc.*	19,100	772,786
Viacom, Inc. "B"*	11,706	516,820
		1,289,606
Service Industries 8.0%		
EDP Services 3.8%		
Automatic Data Processing, Inc.	12,100	712,690
Fiserv, Inc.*	46,600	1,972,112
		2,684,802
Miscellaneous Commercial Services 2.6%		
Paychex, Inc.	37,300	1,306,992
Plexus Corp.*	19,600	520,576
		1,827,568
Printing / Publishing 1.6%		
Dow Jones & Co., Inc.	21,100	1,154,803
Technology 33.2%		
Computer Software 13.1%		
BEA Systems, Inc.*	23,900	368,299
Check Point Software Technologies Ltd.*	40,000	1,595,600
Comverse Technologies, Inc.*	12,500	279,625
Intuit, Inc.*	32,800	1,402,528
Microsoft Corp.*	25,400	1,683,258
PDF Solutions, Inc.*	19,000	399,000
PeopleSoft, Inc.*	38,600	1,551,720
RSA Security, Inc.*	26,150	456,579
SAP AG (ADR)	15,900	507,687
Verity, Inc.*	50,000	1,012,500
		9,256,796
Diverse Electronic Products 0.9%		
Teradyne, Inc.*	22,400	675,136

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
EDP Peripherals 7.6%		
Brocade Communications Systems, Inc.*	16,100	533,232
EMC Corp.*	25,900	348,096
Mercury Interactive Corp.*	42,400	1,440,752
Network Appliance, Inc.*	24,600	538,002
Symbol Technologies, Inc.	157,675	2,503,879
		5,363,961
Electronic Components / Distributors 1.2%		
Applied Micro Circuits Corp.*	20,800	235,456
Sandisk Corp.*	13,000	187,200
Vishay Intertechnology, Inc.*	21,500	419,250
		841,906
Precision Instruments 0.8%		
Molecular Devices Corp.*	6,800	141,916
Photon Dynamics, Inc.*	9,900	451,935
		593,851
Semiconductors 8.6%		
Analog Devices, Inc.*	22,500	998,775
Cirrus Logic, Inc.*	12,600	166,572
Elantec Semiconductor, Inc.*	12,400	476,160
Linear Technology Corp.	25,900	1,011,136
Microchip Technology, Inc.*	20,200	782,548
Micron Technology, Inc.*	12,800	396,800
Pericom Semiconductor Corp.*	44,300	642,350
QLogic Corp.*	13,700	609,787
Silicon Storage Technology, Inc.*	60,700	585,148
Siliconix, Inc.*	2,000	54,840
Vitesse Semiconductor Corp.*	26,200	326,452
		6,050,568
Telecommunications Equipment 1.0%		
Cisco Systems, Inc.*	38,400	695,424
Transportation 0.6%		
Air Freight		
EGL, Inc.*	32,100	447,795
Other 4.5%		
Midcap SPDR Trust Series 1	13,900	1,289,920
Standard & Poor's 500 Depository Receipt Trust	16,200	1,850,526
		3,140,446
Total Common Stocks (Cost $65,648,096)		**50,459,131**

	Principal Amount ($)	Value ($)
Short-Term Investments 14.2%		
Federal Home Loan Bank, 1.67% (b) 1/9/2002 (Cost $9,996,289)	10,000,000	**9,996,690**

Cash Equivalents 14.4%		
Zurich Scudder Cash Management QP Trust, 2.05% (c) (Cost $10,176,511)	10,176,511	**10,176,511**
Total Investment Portfolio — 100.0% (Cost $85,820,896) (a)		**70,632,332**

Notes to Scudder Aggressive Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $85,915,429. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $15,283,097. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $3,102,628 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $18,385,725.*

(b) *Annualized yield at time of purchase; not a coupon rate.*

(c) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven-day yield at December 31, 2001.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $85,820,896)	$	70,632,332
Cash		10,000
Foreign currency, at value (cost $3,892)		3,892
Dividends receivable		8,151
Interest receivable		16,171
Receivable for Portfolio shares sold		59,827
Total assets		70,730,373

Liabilities		
Payable for investments purchased		16,156
Payable for Portfolio shares redeemed		135,997
Accrued management fee		45,837
Other accrued expenses and payables		25,829
Total liabilities		223,819
Net assets, at value	**$**	**70,506,554**

Net Assets		
Net assets consist of:		
Undistributed net investment income (loss)		221,556
Net unrealized appreciation (depreciation) on investments		(15,188,564)
Accumulated net realized gain (loss)		(9,191,851)
Paid-in capital		94,665,413
Net assets, at value	**$**	**70,506,554**
Net Asset Value and redemption price per share ($70,506,554 ÷ 6,898,699 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.22**

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $1,613)	$	81,002
Interest		848,093
Total Income		929,095
Expenses:		
Management fee		483,759
Custodian and accounting fees		33,886
Auditing		11,507
Legal		3,750
Trustees' fees and expenses		3,823
Reports to shareholders		13,585
Other		2,348
Total expenses, before expense reductions		552,658
Expense reductions		(658)
Total expenses, after expense reductions		552,000
Net investment income (loss)		**377,095**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(4,894,213)
Foreign currency related transactions		(46)
		(4,894,259)
Net unrealized appreciation (depreciation) during the period on investments		(11,620,364)
Net gain (loss) on investment transactions		**(16,514,623)**
Net increase (decrease) in net assets resulting from operations	**$**	**(16,137,528)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 377,095	$ 526,610
Net realized gain (loss) on investment transactions	(4,894,259)	(4,288,644)
Net unrealized appreciation (depreciation) on investment transactions during the period	(11,620,364)	(5,179,723)
Net increase (decrease) in net assets resulting from operations	(16,137,528)	(8,941,757)
Distributions to shareholders from:		
Net investment income	(652,558)	—
Net realized gains	—	(196,026)
Portfolio share transactions:		
Proceeds from shares sold	32,965,142	66,329,439
Reinvestment of distributions	652,558	196,026
Cost of shares redeemed	(12,188,961)	(3,189,803)
Net increase (decrease) in net assets from Portfolio share transactions	21,428,739	63,335,662
Increase (decrease) in net assets	4,638,653	54,197,879
Net assets at beginning of period	65,867,901	11,670,022
Net assets at end of period (including undistributed net investment income of $221,556 and $497,066, respectively)	**$ 70,506,554**	**$ 65,867,901**

Other Information[a]

Shares outstanding at beginning of period	4,990,960	834,228
Shares sold	3,006,544	4,357,405
Shares issued to shareholders in reinvestment of distributions	62,858	12,110
Shares redeemed	(1,161,663)	(212,783)
Net increase (decrease) in Portfolio shares	1,907,739	4,156,732
Shares outstanding at end of period	**6,898,699**	**4,990,960**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a,b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 13.20**	**$ 13.99**	**$ 10.00**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.06	.18	.06
Net realized and unrealized gain (loss) on investment transactions	(2.92)	(.87)	3.93
Total from investment operations	(2.86)	(.69)	3.99
Less distributions from:			
Net investment income	(.12)	—	—
Net realized gains on investment transactions	—	(.10)	—
Total distributions	(.12)	(.10)	—
Net asset value, end of period	**$ 10.22**	**$ 13.20**	**$ 13.99**
Total Return (%)	(21.76)	(4.96)	39.89[d]**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	71	66	12
Ratio of expenses before expense reductions (%)	.86	.95	2.66*
Ratio of expenses after expense reductions (%)	.86	.94	.50*
Ratio of net investment income (loss) (%)	.58	1.22	.80*
Portfolio turnover rate (%)	42	103	90*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *For the period from May 1, 1999 (commencement of operations) to December 31, 1999.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

Scudder Blue Chip Portfolio

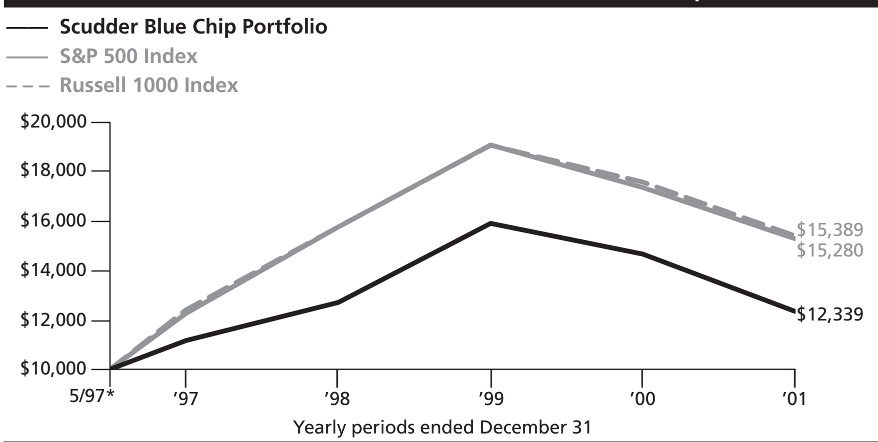
Scudder Blue Chip Portfolio lost 15.81 percent in 2001. By comparison, the portfolio's benchmark, the Standard & Poor's 500, lost 11.88 percent. The S&P 500 is an unmanaged group of large-cap stocks (growth and value) that are representative of the U.S. stock market. We attribute the portfolio's underperformance to its large growth orientation and lack of value stocks, which outperformed growth stocks in the first 10 months of the year.

We structured the portfolio defensively at the start of the period by increasing exposure to health care and financial stocks and reducing exposure to technology. This defensive posture helped as technology continued to struggle and health care gained. We took on a more aggressive technology stance in April, which helped as many technology companies gained ground. In July we marginally reduced our technology position. To reduce risk, we kept it well diversified with the more "defensive" technology companies, such as IBM and Microsoft. This was extremely helpful as stocks plummeted in the wake of the September 11 tragedy. Our retail and media stocks — which we had been building in anticipation of an improving economy — however, suffered as it became clear that the any hopes for a quick recovery were gone.

We are optimistic that the economy will improve in 2002 and have begun positioning the portfolio more aggressively. We've trimmed defensive stocks and added to issues that we believe might benefit from improved economic growth. Although we're heartened by the fourth quarter stock market rally, we believe a full economic and market recovery will take a while to work through. With the portfolio's more aggressive structure, however, we believe it is well positioned to benefit from any improvement in the economy and markets.

Tracy McCormick
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Blue Chip Portfolio from 5/1/1997 to 12/31/2001



The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Russell 1000 Index is an unmanaged capitalization-weighted price-only index composed of the largest-capitalized United States companies whose common stocks are traded in the U.S. This larger capitalization, market-oriented index is highly correlated with the S&P 500 Index.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	Life of Portfolio	
Scudder Blue Chip Portfolio	–15.81%	–.95%	4.61%	(Since 5/1/1997)

* *The Portfolio commenced operations on May 1, 1997. Index comparisons begin April 30, 1997.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Blue Chip Portfolio

	Shares	Value ($)
Common Stocks 96.3%		
Communications 3.1%		
Telephone / Communications		
BellSouth Corp.	60,000	2,289,000
JDS Uniphase Corp.*	120,000	1,047,600
Verizon Communications, Inc.	85,000	4,034,100
		7,370,700
Consumer Discretionary 10.5%		
Department & Chain Stores 8.3%		
Federated Department Stores, Inc.*	42,900	1,754,610
Home Depot, Inc.	58,000	2,958,580
Kohl's Corp.*	35,500	2,500,620
Lowe's Companies, Inc.	50,000	2,320,500
Target Corp.	63,000	2,586,150
TJX Companies, Inc.	52,000	2,072,720
Wal-Mart Stores, Inc.	99,800	5,743,490
		19,936,670
Hotels & Casinos 0.8%		
MGM Mirage, Inc.*	64,000	1,847,680
Recreational Products 0.8%		
Harley-Davidson, Inc.	35,000	1,900,850
Specialty Retail 0.6%		
Office Depot, Inc.*	75,000	1,390,500
Consumer Staples 6.5%		
Alcohol & Tobacco 0.9%		
Philip Morris Companies, Inc.	46,000	2,109,100
Food & Beverage 3.2%		
Hershey Foods Corp.	21,000	1,421,700
Kraft Foods, Inc. "A"	59,000	2,007,770
PepsiCo, Inc.	85,900	4,182,471
		7,611,941
Package Goods / Cosmetics 2.4%		
Colgate-Palmolive Co.	45,000	2,598,750
Procter & Gamble Co.	39,500	3,125,635
		5,724,385
Durables 0.4%		
Aerospace		
Lockheed Martin Corp.	23,000	1,073,410
Energy 5.9%		
Oil & Gas Production 4.4%		
Burlington Resources, Inc.	30,000	1,126,200
Exxon Mobil Corp.	165,540	6,505,722
Royal Dutch Petroleum Co.	60,000	2,941,200
		10,573,122
Oil Companies 1.0%		
BP PLC (ADR)	51,100	2,376,661
Oilfield Services / Equipment 0.5%		
Schlumberger Ltd.	23,000	1,263,850
Financial 14.1%		
Banks 4.0%		
Fifth Third Bancorp	35,000	2,155,300
J.P. Morgan Chase & Co.	65,000	2,362,750
Mellon Financial Corp.	75,000	2,821,500
Wells Fargo & Co.	50,000	2,172,500
		9,512,050
Consumer Finance 4.5%		
American Express Co.	70,000	2,498,300
Citigroup, Inc.	120,000	6,057,600
Household International, Inc.	36,799	2,132,134
		10,688,034
Insurance 5.2%		
American International Group, Inc.	52,812	4,193,273
Hartford Financial Services Group, Inc.	48,000	3,015,840
Jefferson-Pilot Corp.	39,525	1,828,822
MetLife, Inc.	50,000	1,584,000
XL Capital Ltd. "A"	20,000	1,827,200
		12,449,135
Other Financial Companies 0.4%		
Fannie Mae	13,000	1,033,500
Health 16.5%		
Biotechnology 2.2%		
Amgen, Inc.*	32,000	1,806,080
Biogen, Inc.*	20,000	1,147,000
Genentech, Inc.*	18,000	976,500
MedImmune, Inc.*	30,000	1,390,500
		5,320,080
Health Industry Services 2.1%		
Laboratory Corp. of America Holdings*	27,000	2,182,950
McKesson Corp.	78,000	2,917,200
		5,100,150
Medical Supply & Specialty 6.5%		
Abbott Laboratories	77,000	4,292,749
Medtronic, Inc.	50,000	2,560,500
Johnson & Johnson	100,482	5,938,486

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Zimmer Holdings, Inc.*	92,000	2,809,680
		15,601,415
Pharmaceuticals 5.7%		
American Home Products Corp.	53,500	3,282,760
Bristol-Myers Squibb Co.	31,000	1,581,000
Eli Lilly & Co.	21,000	1,649,340
Pfizer, Inc.	150,250	5,987,463
Pharmacia Corp.	30,000	1,279,500
		13,780,063
Manufacturing 12.9%		
Chemicals 3.1%		
PPG Industries, Inc.	69,000	3,568,680
Praxair, Inc.	70,000	3,867,500
		7,436,180
Diversified Manufacturing 8.0%		
Eaton Corp.	31,000	2,306,710
General Electric Co.	143,800	5,763,504
Illinois Tool Works, Inc.	52,500	3,555,300
Minnesota Mining & Manufacturing Co.	30,000	3,546,300
Tyco International Ltd.	66,500	3,916,850
		19,088,664
Machinery / Components / Controls 1.8%		
Johnson Controls, Inc.	24,000	1,938,000
Parker-Hannifin Corp.	53,000	2,433,230
		4,371,230
Media 3.5%		
Advertising 0.8%		
Omnicom Group, Inc.	21,000	1,876,350
Broadcasting & Entertainment 1.7%		
Cox Communications, Inc. "A"*	46,000	1,927,860
Viacom, Inc. "B"*	48,051	2,121,452
		4,049,312
Print Media 1.0%		
Tribune Co.	62,100	2,324,403
Service Industries 1.9%		
Investment 1.1%		
Goldman Sachs Group, Inc.	29,000	2,689,750
Miscellaneous Commercial Services 0.8%		
Convergys Corp.*	50,000	1,874,500

	Shares	Value ($)
Technology 17.9%		
Computer Software 5.1%		
Check Point Software Technologies Ltd.*	29,000	1,156,810
Microsoft Corp.*	105,200	6,971,604
Oracle Corp.*	132,000	1,822,920
PeopleSoft, Inc.*	59,000	2,371,800
		12,323,134
Diverse Electronic Products 0.8%		
Teradyne, Inc.*	65,000	1,959,100
EDP Peripherals 0.6%		
EMC Corp.*	105,000	1,411,200
Electronic Components / Distributors 1.5%		
Cisco Systems, Inc.*	200,000	3,622,000
Electronic Data Processing 3.0%		
International Business Machines Corp.	44,400	5,370,624
Sun Microsystems, Inc.*	137,000	1,691,950
		7,062,574
Precision Instruments 0.7%		
Agilent Technologies, Inc.*	60,000	1,710,600
Semiconductors 6.2%		
Altera Corp.*	53,000	1,124,660
Analog Devices, Inc.*	43,000	1,908,770
Intel Corp.	154,800	4,868,460
Linear Technology Corp.	54,000	2,108,160
Novellus Systems, Inc.*	40,000	1,578,000
Sanmina Corp.*	50,000	995,000
Texas Instruments, Inc.	83,000	2,324,000
		14,907,050
Transportation 3.1%		
Air Freight 1.4%		
United Parcel Service, Inc. "B"	60,000	3,270,000
Railroads 1.7%		
Union Pacific Corp.	72,500	4,132,500
Total Common Stocks (Cost $212,127,787)		**230,771,843**

	Principal Amount ($)	Value ($)
Cash Equivalents 3.7%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $8,815,136)	8,815,136	8,815,136
Total Investment Portfolio — 100.0% (Cost $220,942,923) (a)		**239,586,979**

Notes to Scudder Blue Chip Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $223,213,178. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $16,373,801. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $21,810,009 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,436,208.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven-day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $220,942,923)	$	239,586,979
Dividends receivable		187,987
Interest receivable		15,302
Receivable for Portfolio shares sold		402,029
Total assets		240,192,297

Liabilities

Payable for investments purchased		334,669
Payable for Portfolio shares redeemed		3,343
Accrued management fee		133,030
Other accrued expenses and payables		51,466
Total liabilities		522,508
Net assets, at value	**$**	**239,669,789**

Net Assets

Net assets consist of:		
Undistributed net investment income (loss)		717,086
Net unrealized appreciation (depreciation) on investments		18,644,056
Accumulated net realized gain (loss)		(41,116,999)
Paid-in capital		261,425,646
Net assets, at value	**$**	**239,669,789**
Net Asset Value and redemption price per share ($239,669,789 ÷ 19,851,259 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.07**

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $12,733)	$	2,029,500
Interest		450,941
Total Income		2,480,441
Expenses:		
Management fee		1,442,334
Custodian fees		13,101
Auditing		31,464
Legal		11,514
Trustees' fees and expenses		12,930
Reports to shareholders		20,178
Other		8,397
Total expenses, before expense reductions		1,539,918
Expense reductions		(399)
Total expenses, after expense reductions		1,539,519
Net investment income (loss)		**940,922**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		(34,639,379)
Net unrealized appreciation (depreciation) during the period on investments		(4,738,753)
Net gain (loss) on investment transactions		**(39,378,132)**
Net increase (decrease) in net assets resulting from operations	**$**	**(38,437,210)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 940,922	$ 936,474
Net realized gain (loss) on investment transactions	(34,639,379)	(4,444,806)
Net unrealized appreciation (depreciation) on investment transactions during the period	(4,738,753)	(14,673,131)
Net increase (decrease) in net assets resulting from operations	(38,437,210)	(18,181,463)
Distributions to shareholders from:		
Net investment income	(975,786)	(776,598)
Portfolio share transactions:		
Proceeds from shares sold	69,494,725	73,308,117
Reinvestment of distributions	975,786	776,598
Cost of shares redeemed	(19,446,054)	(12,484,482)
Net increase (decrease) in net assets from Portfolio share transactions	51,024,457	61,600,233
Increase (decrease) in net assets	11,611,461	42,642,172
Net assets at beginning of period	228,058,328	185,416,156
Net assets at end of period (including undistributed net investment income of $717,086 and $751,950, respectively)	**$ 239,669,789**	**$ 228,058,328**

Other Information[a]

Shares outstanding at beginning of period	15,830,661	11,817,153
Shares sold	5,517,335	4,787,117
Shares issued to shareholders in reinvestment of distributions	78,578	48,747
Shares redeemed	(1,575,315)	(822,356)
Net increase (decrease) in Portfolio shares	4,020,598	4,013,508
Shares outstanding at end of period	**19,851,259**	**15,830,661**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a]	1997[a,b]
Selected Per Share Data					
Net asset value, beginning of period	**$ 14.41**	**$ 15.69**	**$ 12.60**	**$ 11.15**	**$ 10.00**
Income (loss) from investment operations:					
Net investment income	.05[c]	.07[c]	.09[c]	.10	.17
Net realized and unrealized gain (loss) on investment transactions	(2.33)	(1.29)	3.08	1.45	.98
Total from investment operations	(2.28)	(1.22)	3.17	1.55	1.15
Less distributions from:					
Net investment income	(.06)	(.06)	(.08)	(.10)	—
Total distributions	(.06)	(.06)	(.08)	(.10)	—
Net asset value, end of period	**$ 12.07**	**$ 14.41**	**$ 15.69**	**$ 12.60**	**$ 11.15**
Total Return (%)	(15.81)	(7.84)	25.24	13.84	11.54**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	240	228	185	78	5
Ratio of expenses before expense reductions (%)	.69	.71	.71	.76	.95*
Ratio of expenses after expense reductions (%)	.69	.71	.70	.76	.95*
Ratio of net investment income (loss) (%)	.42	.44	.67	1.18	2.07*
Portfolio turnover rate (%)	118	86	64	102	78*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *For the period May 1, 1997 (commencement of operations) to December 31, 1997.*

[c] *Based on average shares outstanding during the period.*

* *Annualized*

** *Not annualized*

Scudder Contrarian Value Portfolio

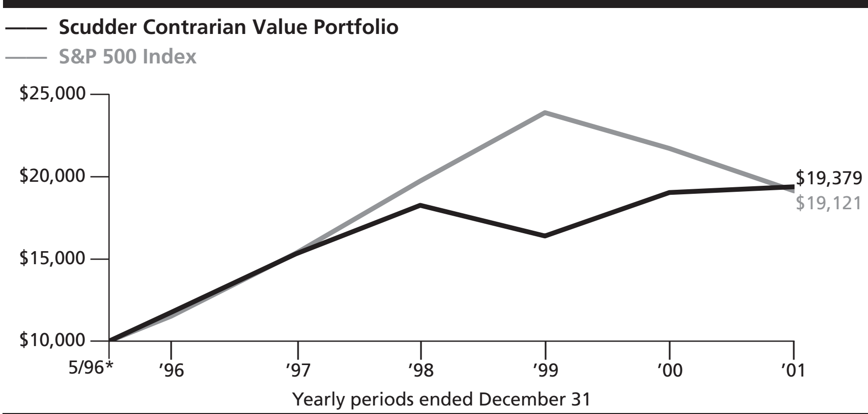
Last year was an extremely difficult one for investors. Although nearly all stocks lost ground, large value stocks weathered the storm much better than their growth counterparts. For the 12 months ended December 31, 2001, Scudder Contrarian Value Portfolio gained 1.87 percent, far surpassing the Standard & Poor's 500, which lost 11.88 percent. The S&P 500 is an unmanaged group of large-cap stocks (growth and value) that are representative of the U.S. stock market. Our commitment to the contrarian philosophy and strict adherence to our disciplined value investment process is what enabled us to outperform even in this difficult market environment.

Financials remained the portfolio's largest industry stake, but we strategically reduced positions in longtime holdings that had appreciated greatly. Notably, we pared down our holdings in Fannie Mae and Freddie Mac to book gains. We sold positions in Washington Mutual, which was nearing an all-time high, and in some property and casualty companies. We increased the portfolio's position in industrial stocks and began to build a tech position for the portfolio in early 2001. We sought out what we believed would be the technology survivors and purchased the dominant names in their respective businesses. Our investment in tech was early and declined after our initial purchase, but we believe that our investment process has helped us to uncover names with the strongest probability of success — those with higher revenue, earnings and stock price potential.

It is our contention that the Fed's efforts to spur economic growth, together with additional federal stimulus, should result in an economic recovery beginning in the first half of 2002. We will continue to stick to our contrarian discipline by seeking quality companies with earnings growth and dividend yields above the market and price-to-earnings ratios below the market.

Thomas F. Sassi
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Contrarian Value Portfolio from 5/1/1996 to 12/31/2001



The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Annual Average Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	5-Year	Life of Portfolio	
Scudder Contrarian Value Portfolio	1.87%	2.02%	10.55%	12.38%	(Since 5/1/1996)

* *The Portfolio commenced operations on May 1, 1996. Index comparison begins April 30, 1996.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Contrarian Value Portfolio

	Shares	Value ($)
Common Stocks 89.5%		
Communications 1.3%		
Telephone / Communications		
WorldCom, Inc.*	245,000	3,449,600
Construction 1.6%		
Building Products		
Masco Corp.	169,000	4,140,500
Consumer Discretionary 10.6%		
Department & Chain Stores 6.2%		
Federated Department Stores, Inc.*	66,000	2,699,400
Gap, Inc.	95,000	1,324,300
Nordstrom, Inc.	220,000	4,450,600
The Limited, Inc.	278,000	4,092,160
The May Department Stores Co.	100,000	3,698,000
		16,264,460
Home Furnishings 1.8%		
Newell Rubbermaid, Inc.	168,700	4,651,059
Restaurants 2.6%		
McDonald's Corp.	259,000	6,855,730
Consumer Staples 9.8%		
Alcohol & Tobacco 0.6%		
Philip Morris Companies, Inc.	34,500	1,581,825
Food & Beverage 6.9%		
Albertson's, Inc.	113,000	3,558,370
Campbell Soup Co.	80,000	2,389,600
ConAgra, Inc.	158,700	3,772,299
H.J. Heinz Co.	53,200	2,187,584
Sara Lee Corp.	276,800	6,153,264
		18,061,117
Package Goods / Cosmetics 1.5%		
Procter & Gamble Co.	48,500	3,837,805
Textiles 0.8%		
VF Corp.	55,000	2,145,550
Durables 2.6%		
Aerospace 0.9%		
United Technologies Corp.	35,000	2,262,050
Automobiles 1.0%		
Dana Corp.	190,600	2,645,528
Telecommunications Equipment 0.7%		
Lucent Technologies, Inc.	290,000	1,824,100
Energy 8.2%		
Oil & Gas Production 3.5%		
Exxon Mobil Corp.	231,200	9,086,160

	Shares	Value ($)
Oil / Gas Transmission 0.5%		
Williams Companies, Inc.	50,000	1,276,000
Oil Companies 4.2%		
BP PLC (ADR)	118,944	5,532,085
ChevronTexaco Corp.	30,000	2,688,300
Phillips Petroleum Co.	45,000	2,711,700
		10,932,085
Financial 21.7%		
Banks 12.5%		
AmSouth Bancorp.	230,000	4,347,000
Bank of America Corp.	79,906	5,030,083
FleetBoston Financial Corp.	55,000	2,007,500
J.P. Morgan Chase & Co.	96,700	3,515,045
KeyCorp	234,000	5,695,560
National City Corp.	78,000	2,280,720
SunTrust Banks, Inc.	26,500	1,661,550
Wachovia Corp.	256,100	8,031,296
		32,568,754
Insurance 1.5%		
Jefferson-Pilot Corp.	35,000	1,619,450
MGIC Investment Corp.	38,000	2,345,360
		3,964,810
Other Financial Companies 6.3%		
Fannie Mae	76,600	6,089,700
Freddie Mac	86,600	5,663,640
Standard & Poor's 500 Depository Receipt Trust	42,000	4,797,660
		16,551,000
Real Estate 1.4%		
Post Properties, Inc.	101,500	3,604,265
Health 5.6%		
Medical Supply & Specialty 1.4%		
Becton, Dickinson & Co.	107,500	3,563,625
Pharmaceuticals 4.2%		
Bristol-Myers Squibb Co.	122,900	6,267,900
Merck & Co., Inc.	81,500	4,792,200
		11,060,100
Manufacturing 10.3%		
Chemicals 1.1%		
Dow Chemical Co.	85,000	2,871,300
Containers & Paper 2.8%		
Sonoco Products Co.	278,200	7,394,556
Diversified Manufacturing 2.3%		
Honeywell International, Inc.	98,100	3,317,742

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Textron, Inc.	65,600	2,719,776
		6,037,518
Electrical Products 1.4%		
Emerson Electric Co.	64,000	3,654,400
Industrial Specialty 1.0%		
Avery Dennison Corp.	47,000	2,656,910
Machinery / Components / Controls 1.7%		
Pitney Bowes, Inc.	114,800	4,317,628
Media 1.7%		
Print Media		
Gannett Co., Inc.	64,700	4,349,781
Service Industries 1.5%		
Printing / Publishing		
Equifax, Inc.	164,000	3,960,600
Technology 12.4%		
Computer Software 1.1%		
Adobe Systems, Inc.	94,000	2,918,700
Diverse Electronic Products 2.9%		
Dell Computer Corp.*	50,500	1,372,590
Diebold, Inc.	151,000	6,106,440
		7,479,030
Electronic Data Processing 2.5%		
Compaq Computer Corp.	294,700	2,876,272
Hewlett-Packard Co.	170,000	3,491,800
		6,368,072
Military Electronics 1.1%		
Raytheon Co.	91,500	2,971,005
Semiconductors 4.8%		
Applied Materials, Inc.*	87,000	3,488,700
Intel Corp.	225,000	7,076,250
Sanmina Corp.*	103,712	2,063,869
		12,628,819
Transportation 2.2%		
Air Freight 1.7%		
FedEx Corp.*	85,000	4,409,800
Railroads 0.5%		
Burlington Northern Santa Fe Corp.	45,000	1,283,850
Total Common Stocks (Cost $227,557,873)		**233,628,092**

	Principal Amount ($)	Value ($)
Cash Equivalents 10.5%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $27,291,709)	27,291,709	**27,291,709**
Total Investment Portfolio — 100.0% (Cost $254,849,582) (a)		**260,919,801**

Notes to Scudder Contrarian Value Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $255,262,643. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $5,657,158. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $22,763,476 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $17,106,318.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven-day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $254,849,582)	$	260,919,801
Dividends receivable		371,962
Interest receivable		52,163
Receivable for Portfolio shares sold		258,484
Total assets		261,602,410
Liabilities		
Payable for investments purchased		4,340,860
Payable for Portfolio shares redeemed		157,804
Accrued management fee		160,415
Other accrued expenses and payables		59,476
Total liabilities		4,718,555
Net assets, at value	**$**	**256,883,855**
Net Assets		
Net assets consist of:		
Undistributed net investment income (loss)	$	3,617,274
Net unrealized appreciation (depreciation) on investments		6,070,219
Accumulated net realized gain (loss)		(22,501,393)
Paid-in capital		269,697,755
Net assets, at value	**$**	**256,883,855**
Net Asset Value and redemption price per share ($256,883,855 ÷ 19,168,291 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.40**

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $22,627)	$	4,819,489
Interest		980,676
Total Income		5,800,165
Expenses:		
Management fee		1,710,166
Custodian fees		12,315
Auditing		31,769
Legal		14,208
Trustees' fees and expenses		15,782
Reports to shareholders		17,223
Other		11,604
Total expenses, before expense reductions		1,813,067
Expense reductions		(54)
Total expenses, after expense reductions		1,813,013
Net investment income (loss)		**3,987,152**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from Investments		(1,618,134)
Net unrealized appreciation (depreciation) during the period on investments		1,859,513
Net gain (loss) on investment transactions		**241,379**
Net increase (decrease) in net assets resulting from operations	**$**	**4,228,531**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 3,987,152	$ 5,066,929
Net realized gain (loss) on investment transactions	(1,618,134)	(20,825,554)
Net unrealized appreciation (depreciation) on investment transactions during the period	1,859,513	42,845,912
Net increase (decrease) in net assets resulting from operations	4,228,531	27,087,287
Distributions to shareholders from:		
Net investment income	(3,893,591)	(5,694,925)
Net realized gains	—	(37,017,013)
Portfolio share transactions:		
Proceeds from shares sold	66,832,395	24,484,822
Reinvestment of distributions	3,893,591	42,711,938
Cost of shares redeemed	(33,531,994)	(69,632,226)
Net increase (decrease) in net assets from Portfolio share transactions	37,193,992	(2,435,466)
Increase (decrease) in net assets	37,528,932	(18,060,117)
Net assets at beginning of period	219,354,923	237,415,040
Net assets at end of period (including undistributed net investment income of $3,617,274 and $3,523,714, respectively)	**$ 256,883,855**	**$ 219,354,923**

Other Information[a]

Shares outstanding at beginning of period	16,365,480	16,152,846
Shares sold	5,066,173	2,011,041
Shares issued to shareholders in reinvestment of distributions	307,046	3,891,784
Shares redeemed	(2,570,408)	(5,690,191)
Net increase (decrease) in Portfolio shares	2,802,811	212,634
Shares outstanding at end of period	**19,168,291**	**16,365,480**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a]	1997[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 13.40**	**$ 14.70**	**$ 17.57**	**$ 15.18**	**$ 11.74**
Income (loss) from investment operations:					
Net investment income	.23[b]	.30[b]	.37[b]	.26	.31
Net realized and unrealized gain (loss) on investment transactions	.01	1.40	(1.94)	2.63	3.23
Total from investment operations	.24	1.70	(1.57)	2.89	3.54
Less distributions from:					
Net investment income	(.24)	(.40)	(.30)	(.10)	(.10)
Net realized gains on investment transactions	—	(2.60)	(1.00)	(.40)	—
Total distributions	(.24)	(3.00)	(1.30)	(.50)	(.10)
Net asset value, end of period	**$ 13.40**	**$ 13.40**	**$ 14.70**	**$ 17.57**	**$ 15.18**
Total Return (%)	1.87	16.13	(10.21)	19.26	30.38
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	257	219	237	264	162
Ratio of expenses before expense reductions (%)	.79	.80	.81	.78	.80
Ratio of expenses after expense reductions (%)	.79	.80	.80	.78	.80
Ratio of net investment income (loss) (%)	1.75	2.55	2.14	2.02	2.38
Portfolio turnover rate (%)	72	56	88	57	46

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *Based on average shares outstanding during the period.*

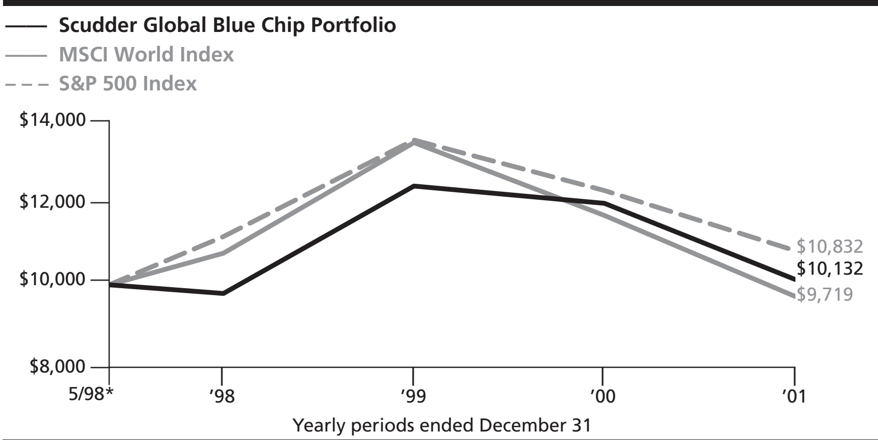
Scudder Global Blue Chip Portfolio

In a difficult market environment, the portolio produced negative absolute performance but outperformed its unmanaged benchmark, the MSCI World Index, during 2001. This was largely due to the fact that at times when the market is not performing well, our focus on diversification and risk control tends to help performance. On the other hand, the portolio tends to lag at the times when the market is rallying sharply and being led by more aggressive stocks, as was the case during the fourth quarter. Overall, we believe this approach was instrumental in our navigation of the down market of the past two years.

In managing the portolio, we look for important themes driving the global economy, and then invest in well-managed, fundamentally sound companies consistent with these themes. The themes that currently make up the portfolio are based on our broad strategic view that slower economic growth is forcing companies to compete for a larger share of a pie that is no longer expanding. And in a time of difficulty, many companies are seeking to reduce their capital investments and repair their balance sheets. We believe that in combination, these factors will contribute to lower investment returns. We have therefore maintained a focus on the types of companies we have been emphasizing throughout the year: those that derive profits from activities that do not require substantial investment in hard assets (and that instead exploit intellectual capital), companies whose size and balance sheet strength allow them to take advantage of the auction economy by lowering their profit margins to gain market share, raw materials producers that stand to benefit from reduced production capacity in their industries, Japanese firms that are embracing restructuring, and companies with assets that offer relatively stable, annuity-like returns. Looking ahead, we believe that this defensive positioning is prudent given the continued geopolitical risks to the global markets.

William E. Holzer
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Global Blue Chip Portfolio from 5/5/1998 to 12/31/2001



The MSCI World Index is an unmanaged index generally accepted as a benchmark for world equity markets. The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Beginning with the next semiannual report the MSCI World Index, which better accommodates the Portfolio's objective of seeking long-term capital growth through investment in securities of companies throughout the world, will be shown instead of the S&P 500 Index.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	Life of Portfolio	
Scudder Global Blue Chip Portfolio	–15.48%	1.15%	0.36%	(Since 5/5/1998)

* *The Portfolio commenced operations on May 5, 1998. Index comparisons begin April 30, 1998.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Global Blue Chip Portfolio

	Shares	Value ($)
Common Stocks 93.1%		
Australia 1.0%		
BHP Billiton Ltd. (Producer of petroleum, mineral and steel products)	77,605	415,941
Brazil 0.9%		
Aracruz Celulose SA (ADR) (Manufacturer of forest products and producer of bleached eucalyptus pulp)	13,600	247,248
Companhia Vale do Rio Doce (ADR) (Preferred) (Operator of a diverse mining and industrial complex)	5,500	129,855
		377,103
Canada 6.8%		
Alberta Energy Co., Ltd. (Producer of oil and gas)	16,100	608,503
Alcan, Inc. (Manufacturer of aluminum and finished products)	8,556	307,145
Barrick Gold Corp. (Explorer and producer of gold)	34,800	555,060
BCE, Inc. (Provider of telecommunication services)	18,203	411,740
Canadian National Railway Co. (Operator of a railroad network)	11,200	539,598
Placer Dome, Inc. (Miner of gold, silver and copper)	19,700	215,314
Potash Corp. of Saskatchewan, Inc. (Producer of potash, phosphate and nitrogen)	3,301	202,497
		2,839,857
France 5.6%		
Aventis SA (Manufacturer of life science products)	8,960	636,959
Compagnie de Saint–Gobain (Manufacturer of glass)	2,782	420,339
Suez SA (Builder of water treatment plants)	16,587	502,712
Vinci SA (Builder of roads and provider of engineering and construction services)	7,137	418,932
Vivendi Universal SA (Operator of music, television and film, and telecommunications businesses)	6,971	382,158
		2,361,100
Germany 8.5%		
BASF AG (Explorer and producer of oil, natural gas and chemicals)	6,977	260,278
Bayer AG (Producer of chemical products)	12,652	402,624
Deutsche Lufthansa AG (Operator of international airline services)	6,792	91,421
Deutsche Post AG (Provider of mail delivery services)	29,271	404,429
E.On AG (Distributor of oil and chemicals)	7,550	393,036
Heidelberger Druckmaschinen AG (Manufacturer of commercial printing presses)	3,379	127,861
KarstadtQuelle AG (Operator of department stores)	11,739	459,376
Man AG (Operator of a commodities trading company)	6,171	130,920
Metro AG (Operator of building, clothing, electronic and food stores)	9,333	328,618
Muenchener Rueckversicherungs–Gesellschaft AG (Registered) (Provider of financial services)	2,127	578,282
RWE AG (Provider of various energy sources)	896	33,905
Schering AG (Producer of pharmaceuticals and industrial chemicals)	7,200	385,727
		3,596,477
Hong Kong 1.9%		
Bank of East Asia Ltd. (Provider of banking services)	96,000	206,809
China Mobile Ltd.* (Provider of cellular telecommunication services)	105,600	371,702
CLP Holdings Ltd. (Generator and supplier of electricity)	54,000	206,001
		784,512
Italy 0.4%		
Mediobanca SpA (Provider of medium- and long-term business loans and credit)	15,500	173,814
Japan 9.7%		
Canon, Inc. (Producer of visual image and information equipment)	12,000	411,152
Chugai Pharmaceutical Co., Ltd. (Producer of pharmaceuticals)	7,000	80,779
Daiwa Securities Group, Inc. (Provider of brokerage and other financial services)	26,000	136,094
Fanuc Ltd. (Manufacturer of numerically controlled equipment for machine tools)	6,400	271,306
Kyorin Pharmaceutical Co., Ltd. (Retailer of prescription medicines)	3,000	77,490

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)	19,000	242,931
Mitsubishi Estate Co., Ltd. (Provider of real estate services)	41,000	298,709
Mitsui Fudosan Co., Ltd. (Provider of real estate services)	40,000	303,882
NEC Corp. (Manufacturer of telecommunication and computer equipment)	7,000	71,101
Nikko Cordial Corp. (Provider of financial services)	16,000	71,108
Nomura Holdings, Inc. (Provider of financial services)	15,000	191,446
NTT DoCoMo, Inc. (Provider of telecommunication services and equipment)	19	222,290
Sankyo Co., Ltd. (Manufacturer of pharmaceuticals)	14,000	238,775
Sony Corp. (Manufacturer of consumer electronic products)	8,500	386,804
Sumitomo Mitsui Banking Corp. (Provider of banking services)	800	3,373
Teijin Ltd. (Manufacturer of polyester products)	99,000	378,310
Toshiba Corp. (Manufacturer of general electronics)	36,000	123,072
Yamada Denki Co., Ltd. (Operator of consumer electronic stores)	3,300	230,647
Yamanouchi Pharmaceutical Co., Ltd. (Manufacturer of a wide variety of pharmaceuticals)	12,000	315,430
		4,054,699
Netherlands 0.7%		
STMicroelectronics NV (Manufacturer of semiconductor integrated circuits)	9,667	310,649
Peru 0.3%		
Compania de Minas Buenaventura SA "B" (ADR) (Explorer of gold, silver, zinc and other metals)	5,500	114,015
Singapore 0.3%		
DBS Group Holdings Ltd. (Provider of financial services)	17,000	127,051
South Africa 1.0%		
Anglo American Platinum Corp., Ltd. (ADR) (Producer of platinum)	5,400	197,100
Impala Platinum Holdings Ltd. (ADR) (Miner of platinum)	4,700	216,200
		413,300

	Shares	Value ($)
Switzerland 4.9%		
ABB Ltd.* (Manufacturer of equipment and offerer of construction and financial services)	37,159	358,677
Nestle SA (Registered) (Producer and seller of food products)	2,053	438,442
Roche Holding AG* (Developer of pharmaceutical and chemical products)	5,001	357,516
Swiss Re (Provider of reinsurance, insurance and banking services)	4,617	465,154
Syngenta AG* (Producer of seeds and chemicals)	8,085	419,468
		2,039,257
United Kingdom 11.4%		
BOC Group PLC (Producer of chemical products)	30,137	465,154
GlaxoSmithKline PLC (Developer of vaccines, prescriptions and over-the-counter medicines)	18,556	465,544
Great Universal Stores PLC "A" (Operator of catalog home shopping, retailing, finance and property investment services)	50,328	472,673
National Grid Group PLC (Owner and operator of electric transmission systems)	69,292	431,835
Pearson PLC (Operator of a diversified media and entertainment holding company)	38,274	440,830
Railtrack Group PLC (Operator of railway infrastructure)	54,206	0
Reuters Group PLC (Provider of international news and information)	48,827	483,460
Rio Tinto PLC (Operator of a mining, manufacturing and development company)	38,588	739,434
Royal & Sun Alliance Insurance Group PLC (Operator of a multiline insurance holding company)	31,086	178,681
Scottish Power PLC (Provider of electrical power)	37,173	205,685
Shell Transport & Trading PLC (Explorer and producer of oil and gas)	63,081	433,543
Vodafone Group PLC (Provider of mobile telecommunication services)	182,507	477,683
		4,794,522
United States 39.7%		
Allegheny Energy, Inc. (Provider of electric and gas power)	11,700	423,774

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
American Home Products Corp. (Manufacturer and retailer of pharmaceuticals and consumer health care products)	9,200	564,512
American International Group, Inc. (Provider of insurance services)	5,000	397,000
Anadarko Petroleum Corp. (Explorer and producer of crude oil and natural gas)	16,300	926,655
AOL Time Warner, Inc.* (Provider of entertainment, news and Internet brands)	12,300	394,830
AT&T Corp. (Provider of telecommunication services)	23,600	428,104
Automatic Data Processing, Inc. (Provider of various data processing services)	7,400	435,860
Boston Properties, Inc. (REIT) (Developer of commercial and industrial real estate)	11,300	429,400
Burlington Resources, Inc. (Explorer and producer of crude oil and natural gas)	13,100	491,774
Calpine Corp.* (Operator of power generation facilities)	29,700	498,663
Chubb Corp. (Provider of property and casualty insurance services)	6,100	420,900
Comcast Corp. "A"* (Provider of cable television, sound and telecommunication systems)	13,200	475,200
eBay, Inc.* (Provider of on-line auction services)	800	53,520
Edison International* (Operator of an electric utility company)	27,700	418,270
Electronic Arts, Inc.* (Developer and marketer of entertainment software)	3,300	197,835
Electronic Data Systems Corp. (Provider of information technology systems)	9,100	623,805
EMC Corp.* (Provider of enterprise storage systems, software, networks and services)	24,500	329,280
Exelon Corp. (Distributor of electricity and gas)	12,275	587,727
Exxon Mobil Corp. (Explorer and producer of oil and gas)	10,900	428,370
FPL Group, Inc. (Provider of electric energy)	5,200	293,280
Genzyme Corp.* (Operator of a diversified, integrated human health care company)	2,400	143,664
Guidant Corp.* (Developer and manufacturer of products used in minimally invasive surgery)	4,600	229,080
Hewlett–Packard Co. (Provider of imaging and printing systems and information technology services)	9,600	197,184
Human Genome Sciences, Inc.* (Developer of proprietary pharmaceutical and diagnostic products)	5,400	182,088
Immunex Corp.* (Developer of biopharmaceutical products)	22,900	634,559
Intel Corp. (Designer, manufacturer, and seller of computer components and related products)	13,100	411,995
International Business Machines Corp. (Manufacturer of computers and servicer of information processing units)	2,800	338,688
International Paper Co. (Manufacturer of paper, pulp and wood products)	7,800	314,730
Intuit, Inc.* (Provider of financial software for households and small businesses)	8,000	342,080
KPMG Consulting, Inc.* (Provider of consulting services)	14,200	235,294
Liberty Media Corp. "A"* (Owner of interests in video programming, communications and Internet businesses)	31,800	445,200
Lockheed Martin Corp. (Manufacturer of aircraft, missiles and space equipment)	10,700	499,369
Microsoft Corp.* (Developer of computer software)	6,400	424,128
Nabors Industries, Inc.* (Contractor of land drilling)	5,000	171,650
Newmont Mining Corp. (Explorer and miner of gold)	16,000	305,760
Phillips Petroleum Co. (Explorer, producer and refiner of petroleum)	8,100	488,106
ProLogis Trust (REIT) (Owner of global corporate distribution facilities)	18,500	397,935
Sabre Group Holdings, Inc. "A"* (Provider of online travel reservation capabilities)	18,600	787,710
St. Paul Companies, Inc. (Provider of insurance products and services)	6,300	277,011
Unocal Corp. (Explorer and producer of oil and gas)	6,800	245,276
UnumProvident Corp. (Provider of group disability and special risk insurance)	19,800	524,898
USEC, Inc. (Provider of enriched uranium products and services)	7,000	50,120
Viacom, Inc. "B"* (Provider of entertainment and publishing services)	3,800	167,770
		16,633,054
Total Common Stocks (Cost $40,657,209)		**39,035,351**

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($) (c)	Value ($)
Foreign Bonds — Non U.S.$ Denominated 3.8%		
Germany		
Bundesolbigation, 5.0%, 2/17/2006 (Cost $1,647,093)	EUR1,750,000	**1,597,576**
U.S. Government & Agencies 1.9%		
United States		
U.S. Treasury Note, 5.25%, 5/15/2004 (Cost $762,773)	750,000	**781,995**

	Principal Amount ($) (c)	Value ($)
Repurchase Agreements 1.2%		
Salomon Smith Barney, 1.75%, to be repurchased at $500,049 on 1/2/2002 (b) (Cost $500,000)	500,000	**500,000**
Total Investment Portfolio — 100.0% (Cost $43,567,075) (a)		**41,914,922**

At December 31, 2001, the Scudder Global Blue Chip Portfolio had the following industry diversification:

Industry	Value	Percent
Manufacturing	$5,229,785	12.5%
Financial	5,181,547	12.4%
Energy	4,381,604	10.4%
Utilities	3,373,256	8.0%
Health	3,289,437	7.8%
Service Industries	3,254,725	7.8%
Technology	3,252,675	7.8%
Metals and Minerals	2,938,799	7.0%
Miscellaneous	2,379,571	5.7%
Media	2,305,988	5.5%
Communications	1,911,519	4.6%
Consumer Discretionary	1,260,667	3.0%
Consumer Staples	858,781	2.0%
Construction	666,180	1.6%
Transportation	631,019	1.5%
Durables	499,369	1.2%
Total	**41,414,922**	**98.8%**
Money Market Instruments	500,000	1.2%
Total Investment Portfolio	**$41,914,922**	**100.0%**

Notes to Scudder Global Blue Chip Portfolio of Investments

* *Non–income producing security.*

(a) *The cost for federal income tax purposes was $43,748,934. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $1,834,012. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,616,497 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,450,509.*

(b) *Repurchase agreements are fully collateralized by U.S. Treasury and Government agency securities.*

(c) *Principal amount stated in U.S. dollars unless otherwise noted.*

Currency Abbreviation	
EUR	Euro

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $43,567,075)	$	41,914,922
Cash		1,419,779
Foreign currency, at value, (cost $872,549)		860,201
Dividends receivable		40,889
Interest receivable		112,515
Receivable for Portfolio shares sold		90,009
Foreign taxes recoverable		15,454
Unrealized appreciation on forward currency exchange contracts		121,186
Total assets		44,574,955
Liabilities		
Payable for Portfolio shares redeemed		345
Accrued management fee		39,844
Other accrued expenses and payables		77,013
Total liabilities		117,202
Net assets, at value	**$**	**44,457,753**
Net Assets		
Net assets consist of:		
Undistributed net investment income (loss)		243,658
Net unrealized appreciation (depreciation) on:		
Investments		(1,652,153)
Foreign currency related transactions		106,859
Accumulated net realized gain (loss)		(3,579,315)
Paid-in capital		49,338,704
Net assets, at value	**$**	**44,457,753**
Net Asset Value and redemption price per share ($44,457,753 ÷ 4,612,725 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.64**

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $33,966)	$	506,409
Interest		216,532
Total Income		722,941
Expenses:		
Management fee		360,873
Custodian and accounting fees		64,456
Auditing		4,453
Legal		2,891
Reports to shareholders		12,018
Other		1,493
Total expenses		446,184
Net investment income (loss)		**276,757**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(2,836,491)
Foreign currency related transactions		6,438
		(2,830,053)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(3,488,786)
Foreign currency related transactions		107,138
		(3,381,648)
Net gain (loss) on investment transactions		**(6,211,701)**
Net increase (decrease) in net assets resulting from operations	**$**	**(5,934,944)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 276,757	$ 73,720
Net realized gain (loss) on investment transactions	(2,830,053)	194,715
Net unrealized appreciation (depreciation) on investment transactions during the period	(3,381,648)	(1,040,586)
Net increase (decrease) in net assets resulting from operations	(5,934,944)	(772,151)
Distributions to shareholders from:		
Net realized gains	(1,040,793)	(258,443)
Portfolio share transactions:		
Proceeds from shares sold	28,559,273	19,631,376
Reinvestment of distributions	1,040,793	258,443
Cost of shares redeemed	(11,551,197)	(2,883,628)
Net increase (decrease) in net assets from Portfolio share transactions	18,048,869	17,006,191
Increase (decrease) in net assets	11,073,132	15,975,597
Net assets at beginning of period	33,384,621	17,409,024
Net assets at end of period (including undistributed net investment income of $243,658 and $15,865, respectively)	**$ 44,457,753**	**$ 33,384,621**

Other Information[a]

Shares outstanding at beginning of period	2,826,231	1,406,829
Shares sold	2,838,959	1,641,664
Shares issued to shareholders in reinvestment of distributions	103,377	20,990
Shares redeemed	(1,155,842)	(243,252)
Net increase (decrease) in Portfolio shares	1,786,494	1,419,402
Shares outstanding at end of period	**4,612,725**	**2,826,231**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a,b]
Selected Per Share Data				
Net asset value, beginning of period	**$ 11.81**	**$ 12.37**	**$ 9.79**	**$ 10.00**
Income (loss) from investment operations:				
Net investment income	.08[c]	.03[c]	.04[c]	.03
Net realized and unrealized gain (loss) on investment transactions	(1.90)	(.44)	2.57	(.24)
Total from investment operations	(1.82)	(.41)	2.61	(.21)
Less distributions from:				
Net investment income	—	—	(.03)	—
Net realized gains on investment transactions	(.35)	(.15)	—	—
Total distributions	(.35)	(.15)	(.03)	—
Net asset value, end of period	**$ 9.64**	**$ 11.81**	**$ 12.37**	**$ 9.79**
Total Return (%)	(15.48)	(3.36)[d]	26.70[d]	(2.10)[d**]
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	44	33	17	4
Ratio of expenses before expense reductions (%)	1.24	1.78	3.47	12.32*
Ratio of expenses after expense reductions (%)	1.24	1.50	1.56	1.56*
Ratio of net investment income (loss) (%)	.76	.28	.39	.91*
Portfolio turnover rate (%)	52	54	65	67*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *For the period from May 5, 1998 (commencement of operations) to December 31, 1998.*

[c] *Based on average shares outstanding during the period.*

[d] *Total returns would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

Scudder Government Securities Portfolio

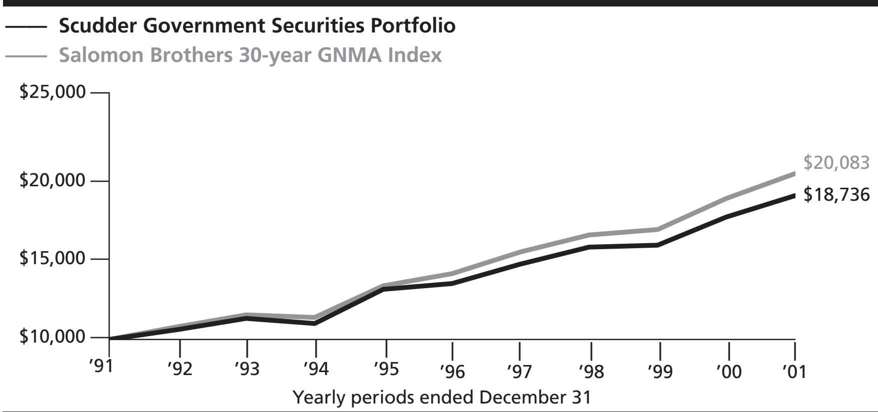
Prior to 2001, the Federal Reserve Board was still concerned about the potential for accelerating inflation and an economy that might be growing a little too fast. It had just completed a series of increases in short-term interest rates that left the overnight fed funds rate at 6.50 percent. That, combined with the Treasury's program of buying back longer-term debt, led to an "inverted yield curve," in which government bonds maturing in 10 years or more offered lower yields than shorter-term government notes. Then, in January of 2001, amid increasing signs of a slowing economy, the Fed began a series of interest rate cuts. By the end of the year, the fed funds rate was down to 1.75 percent, long-term government bonds were yielding more than short-term notes and the yield curve was once again "normal."

In this environment, the Scudder Government Securities Portfolio provided a total return of 7.48 percent, compared with an 8.25 percent return for its benchmark, the Salomon Brothers 30-Year Government National Mortgage Association (GNMA) Index, but ahead of the 7.35 percent return for the average GNMA fund as tracked by Lipper, Inc.

The portfolio had a near-neutral position in its yield curve exposure for much of the period, neither benefiting from nor being hurt by falling interest rates or a flattening yield curve. For most of the period, the portfolio was underweight, relative to its peers, in GNMA securities as refinancings by home owners contributed to weakness in the mortgage market; at one point, the portfolio's GNMA exposure was as low as 85 percent of assets, with the remainder invested in Treasuries. The Treasury market, meanwhile, was unable to sustain the strength it showed following the October announcement that the government would no longer issue 30-year bonds. The belief that an economic rebound could prompt the Fed to begin raising interest rates caused Treasury yields to soar in the final two months of the year. By the end of the period, the portfolio's GNMA exposure was at approximately 90 percent of assets, slightly underweight relative to its peers. We anticipate better relative performance from the mortgage market in coming months.

Scott E. Dolan
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Government Securities Portfolio from 12/31/1991 to 12/31/2001



The Salomon Brothers 30-year GNMA Index is unmanaged, is on a total return basis with all dividends reinvested and is composed of GNMA 30-year pass-throughs of single family and graduated payment mortgages. In order for a GNMA coupon to be included in the index, it must have at least $200 million of outstanding coupon product.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	5-Year	10-Year	
Scudder Government Securities Portfolio	7.48%	6.28%	6.96%	6.48%	(Since 9/3/1987)

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Government Securities Portfolio

	Principal Amount ($)	Value ($)
U.S. Government & Agency Obligations 89.1%		
U.S. Treasury Securities 6.1%		
Bonds		
5%, 8/15/2011	4,800,000	4,784,976
6.125%, 11/15/2027	1,000,000	1,048,280
6.25%, 8/15/2023	2,000,000	2,115,940
Note		
3.5%, 11/15/2006	15,500,000	14,938,125
		22,887,321
Government National Mortgage Association 59.1%		
Pass-through Certificates		
5.5% with various maturities to 12/15/2031	3,000,299	2,864,326
6% with various maturities to 1/1/2032	16,168,611	15,964,823
6.5% with various maturities to 1/1/2032 (c)	65,419,694	65,787,561
7% with various maturities to 1/1/2032	69,879,123	71,552,422
7.5% with various maturities to 10/20/2031	36,156,491	37,462,865
8% with various maturities to 3/15/2031 (c)	23,789,557	24,976,855
8.5% with various maturities to 3/15/2031	3,189,165	3,388,818
9%, 8/15/2027	220,946	236,607
9.5% with various maturities to 12/15/2022	220,198	240,634
10% with various maturities to 3/15/2016	134,669	152,802
		222,627,713
Federal Home Loan Mortgage Corporation 17.5%		
Pass-through Certificates		
6% with various maturities to 1/1/2032 (c)(d)	22,587,693	22,265,382
6.5% with various maturities to 8/1/2031 (c)	19,552,400	19,646,042
7% with various maturities to 1/1/2032	23,072,347	23,609,354
7.5% with various maturities to 12/1/2030	297,332	307,168
8%, 11/1/2030	112,285	117,791
8.5%, 7/1/2030	64,731	68,830
		66,014,567
Federal Housing Authority 0.1%		
Pass-through Certificates		
7.5%, 2/15/2022	7,944	8,288
8% with various maturities to 7/15/2022	306,053	325,536
8.5%, 3/15/2026	8,686	9,267
		343,091
Federal National Mortgage Association 6.3%		
Pass-through Certificates		
6% with various maturities to 1/1/2032 (d)	5,417,218	5,309,034
6.5% with various maturities to 1/1/2032	14,675,586	14,767,161
7% with various maturities to 1/1/2032 (c)	2,569,028	2,620,322
7.5% with various maturities to 6/1/2030	704,074	736,500
8%, 12/1/2024	177,585	186,551
		23,619,568
Total U.S. Government & Agency Obligations (Cost $334,635,742)		**335,492,260**
Repurchase Agreements 10.9%		
Goldman Sachs & Co., 1.77%, to be repurchased at $41,004,032 on 1/2/2002* (Cost $41,000,000)	41,000,000	**41,000,000**
Cash Equivalents 0.0%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $59,035)	59,035	**59,035**
Total Investment Portfolio — 100.0% (Cost $375,694,777) (a)		**376,551,295**

Notes to Scudder Government Securities Portfolio of Investments

* *Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.*

(a) *The cost for federal income tax purposes was $375,842,823. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $708,472. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,771,503 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,063,031.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven-day yield at December 31, 2001.*

(c) *When-issued or forward delivery securities (see the Notes to Financial Statements).*

(d) *Mortgage dollar roll.*

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and the Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $375,694,777)	$	376,551,295
Cash		285,224
Receivable for investments sold		2,122,722
Receivable for when-issued and forward delivery securities		49,844,156
Interest receivable		1,605,587
Receivable for Portfolio shares sold		603,333
Total assets		431,012,317
Liabilities		
Payable for investments purchased		28,849,482
Payable for when-issued and forward delivery securities		85,601,547
Payable for investments purchased — mortgage dollar rolls		11,054,500
Payable for Portfolio shares redeemed		83,530
Accrued management fee		141,905
Other accrued expenses and payables		57,953
Total liabilities		125,788,917
Net assets, at value	**$**	**305,223,400**
Net Assets		
Net assets consist of:		
Undistributed net investment income		10,988,348
Net unrealized appreciation (depreciation) on:		
Investments		856,518
Forward delivery pools		(360,641)
Accumulated net realized gain (loss)		(1,043,579)
Paid-in capital		294,782,754
Net assets, at value	**$**	**305,223,400**
Net Asset Value and redemption price per share ($305,223,400 ÷ 24,768,244 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.32**

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Interest	$	13,266,938
Expenses:		
Management fee		1,288,534
Custodian fees		24,575
Auditing		34,356
Legal		9,949
Trustees' fees and expenses		11,114
Reports to shareholders		26,416
Other		12,947
Total expenses, before expense reductions		1,407,891
Expense reductions		(983)
Total expenses, after expense reductions		1,406,908
Net investment income		**11,860,030**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		5,048,728
Futures		216,634
		5,265,362
Net unrealized appreciation (depreciation) during the period on:		
Investments		(1,461,408)
Futures		(196,117)
		(1,657,525)
Net gain (loss) on investment transactions		3,607,837
Net increase (decrease) in net assets resulting from operations	**$**	**15,467,867**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income	$ 11,860,030	$ 9,257,799
Net realized gain (loss) on investment transactions	5,265,362	(1,003,928)
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,657,525)	6,274,236
Net increase (decrease) in net assets resulting from operations	15,467,867	14,528,107
Distributions to shareholders from:		
Net investment income	(8,562,567)	(9,438,853)
Portfolio share transactions:		
Proceeds from shares sold	215,007,849	42,968,268
Reinvestment of distributions	8,562,567	9,438,853
Cost of shares redeemed	(77,005,299)	(52,132,339)
Net increase (decrease) in net assets from Portfolio share transactions	146,565,117	274,782
Increase (decrease) in net assets	153,470,417	5,364,036
Net assets at beginning of period	151,752,983	146,388,947
Net assets at end of period (including undistributed net investment income of $10,988,348 and $7,848,205, respectively)	**$ 305,223,400**	**$ 151,752,983**

Other Information[a]

Shares outstanding at beginning of period	12,690,900	12,662,528
Shares sold	17,709,116	3,738,828
Shares issued to shareholders in reinvestment of distributions	729,095	857,976
Shares redeemed	(6,360,867)	(4,568,432)
Net increase (decrease) in Portfolio shares	12,077,344	28,372
Shares outstanding at end of period	**24,768,244**	**12,690,900**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001[c]	2000[a]	1999[a]	1998[a]	1997[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 11.96**	**$ 11.56**	**$ 12.08**	**$ 12.07**	**$ 12.07**
Income (loss) from investment operations:					
Net investment income	.61[b]	.75[b]	.72[b]	.62	.84
Net realized and unrealized gain (loss) on investment transactions	.25	.45	(.64)	.19	.16
Total from investment operations	.86	1.20	.08	.81	1.00
Less distributions from:					
Net investment income	(.50)	(.80)	(.60)	(.80)	(1.00)
Total distributions	(.50)	(.80)	(.60)	(.80)	(1.00)
Net asset value, end of period	**$ 12.32**	**$ 11.96**	**$ 11.56**	**$ 12.08**	**$ 12.07**
Total Return (%)	7.48	10.93	.68	7.03	8.96
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	305	152	146	123	87
Ratio of expenses before expense reductions (%)	.60	.61	.63	.65	.64
Ratio of expenses after expense reductions (%)	.60	.60	.63	.65	.64
Ratio of net investment income (loss) (%)	5.06	6.60	6.13	6.27	7.12
Portfolio turnover rate (%)	334	173	150	142	179

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *Based on average shares outstanding during the period.*

[c] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by $.08, increase net realized and unrealized gains and losses per share by $.08 and decrease the ratio of net investment income to average net assets from 5.67% to 5.06%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

Scudder Growth Portfolio

Despite a strong fourth quarter, 2001 was a difficult year for investors in large-cap growth stocks. Continued economic weakness, declining corporate profitability and the shock of September 11 undermined stocks — particularly growth stocks. The market recovered, however, in October, on better-than-expected (albeit weak) third-quarter earnings reports and expectations of an economic rebound. But this advance was not enough to overcome what was, generally, a very weak year.

Investors, for the most part, favored cash, bonds and lower-volatility stocks in 2001. The broad market S&P 500 Index declined 11.88 percent. Value stocks — as measured by the Russell 1000 Value Index — fell 5.59 percent while the Russell 1000 Growth Index fell 20.42 percent. Scudder Growth Portfolio declined 22.34 percent in 2001.

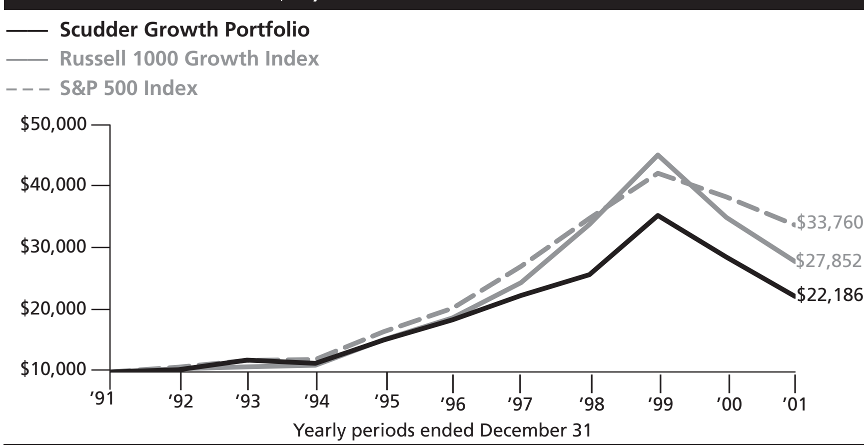
For most of the year, we positioned the portfolio in a conservative stance relative to the Russell 1000 Growth Index. We held more health care, consumer staples and lower-volatility technology stocks and remained cautious after the events of September 11. In the fourth quarter, as portfolio fundamentals began to improve and an economic recovery looked more imminent, we began positioning the portfolio to be more economically-sensitive. We feel that the portfolio is now well-positioned for an economic recovery, and feel that growth stocks should benefit when the economy recovers.

As always, we make our portfolio adjustments within the context of our investment management disciplines. The portfolio remains diversified with exposure to a broad range of economic sectors. These sector weightings are held within +/– 5 percent of the benchmark, as we focus on picking the best companies and not trying to time the ups and downs of each sector. And we look for quality — quality in a company's management, products, balance sheet and earnings potential.

Despite the difficult year that just passed, we feel that the economy is headed in the right direction and that growth companies will once again post attractive returns. We are also confident that our investment process will assist us in locating companies, which, over time, should deliver superior returns and superior long-term results for the portfolio.

Gary A. Langbaum
Jesse Stuart
Co-lead Portfolio Managers
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Growth Portfolio from 12/31/1991 to 12/31/2001



The Russell 1000 Growth Index is an unmanaged index composed of common stock of larger U.S. companies with greater than average growth orientation and represents the universe of stocks from which "earnings/growth" money managers typically select. The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Average Annual Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	5-Year	10-Year	
Scudder Growth Portfolio	–22.34%	–4.83%	3.78%	8.29%	(Since 12/9/1983)

[1] *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Growth Portfolio

	Shares	Value ($)
Common Stocks 98.4%		
Communications 2.2%		
Cellular Telephone 1.1%		
AT&T Wireless Services, Inc.*	304,200	4,371,354
Telephone / Communications 1.1%		
WorldCom, Inc.*	338,500	4,766,080
Consumer Discretionary 7.6%		
Department & Chain Stores		
Home Depot, Inc.	284,025	14,488,115
Target Corp.	112,600	4,622,230
Wal-Mart Stores, Inc.	219,490	12,631,650
		31,741,995
Consumer Staples 4.7%		
Food & Beverage 2.3%		
PepsiCo, Inc.	203,050	9,886,505
Package Goods / Cosmetics 2.4%		
Colgate-Palmolive Co.	172,840	9,981,510
Durables 1.9%		
Aerospace 1.1%		
United Technologies Corp.	71,700	4,633,971
Telecommunications Equipment 0.8%		
Lucent Technologies, Inc.	508,600	3,199,094
Energy 1.4%		
Oil & Gas Production		
Nabors Industries, Inc.*	169,200	5,808,636
Financial 10.0%		
Banks 3.5%		
Fifth Third Bancorp.	133,700	8,233,246
State Street Corp.	120,100	6,275,225
		14,508,471
Consumer Finance 2.8%		
Citigroup, Inc.	128,400	6,481,632
Household International, Inc.	94,400	5,469,536
		11,951,168
Insurance 2.8%		
American International Group, Inc.	145,310	11,537,614
Other Financial Companies 0.9%		
Freddie Mac	58,800	3,845,520

	Shares	Value ($)
Health 22.9%		
Biotechnology 3.7%		
Amgen, Inc.*	178,500	10,074,540
Genentech, Inc.*	102,300	5,549,775
		15,624,315
Health Industry Services 2.1%		
Laboratory Corp. of America Holdings*	56,900	4,600,365
McKesson Corp.	115,000	4,301,000
		8,901,365
Hospital Management 2.6%		
HCA, Inc.	159,800	6,158,692
Tenet Healthcare Corp.*	83,500	4,903,120
		11,061,812
Medical Supply & Specialty 3.0%		
Baxter International, Inc.	93,900	5,035,857
Medtronic, Inc.	144,000	7,374,240
		12,410,097
Pharmaceuticals 11.5%		
Eli Lilly & Co.	86,496	6,793,396
Johnson & Johnson	347,086	20,512,783
Pfizer, Inc.	527,542	21,022,549
		48,328,728
Manufacturing 8.1%		
Diversified Manufacturing 7.3%		
General Electric Co.	504,440	20,217,955
Tyco International Ltd.	177,200	10,437,080
		30,655,035
Machinery / Components / Controls 0.8%		
Johnson Controls, Inc.	39,900	3,221,925
Media 8.3%		
Advertising 1.6%		
Omnicom Group, Inc.	72,340	6,463,579
Broadcasting & Entertainment 5.4%		
AOL Time Warner, Inc.*	302,180	9,699,978
Clear Channel Communications, Inc.*	127,950	6,513,935
Viacom, Inc. "B"*	148,530	6,557,600
		22,771,513
Cable Television 1.3%		
Comcast Corp. "A"*	151,900	5,468,400

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Service Industries 6.3%		
EDP Services 4.7%		
Amdocs Ltd.*	137,700	4,677,669
Electronic Data Systems Corp.	219,660	15,057,693
		19,735,362
Investment 1.1%		
Lehman Brothers Holdings, Inc.	70,800	4,729,440
Miscellaneous Commercial Services 0.5%		
Paychex, Inc.	63,500	2,225,040
Technology 25.0%		
Computer Software 9.9%		
Adobe Systems, Inc.	165,930	5,152,127
BEA Systems, Inc.*	234,000	3,605,940
Microsoft Corp.*	390,140	25,854,578
PeopleSoft, Inc.*	171,300	6,886,260
		41,498,905
Diverse Electronic Products 0.5%		
Molex, Inc.	66,600	2,061,270
EDP Peripherals 1.1%		
EMC Corp.*	355,300	4,775,232
Electronic Components / Distributors 2.0%		
Cisco Systems, Inc.*	463,820	8,399,780
Electronic Data Processing 4.0%		
International Business Machines Corp.	137,100	16,583,616
Semiconductors 7.5%		
Analog Devices, Inc.*	89,200	3,959,588
Applied Materials, Inc.*	207,080	8,303,908
Intel Corp.	267,040	8,398,408
Linear Technology Corp.	131,830	5,146,643
Xilinx, Inc.*	148,000	5,779,398
		31,587,945
Total Common Stocks (Cost $369,703,303)		**412,735,277**

	Principal Amount ($)	Value ($)
Cash Equivalents 1.6%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $6,890,796)	6,890,796	**6,890,796**
Total Investment Portfolio — 100.0% (Cost $376,594,099) (a)		**419,626,073**

Notes to Scudder Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $377,094,616. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $42,531,457. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $57,901,965 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $15,370,508.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven-day yield at December 31, 2001.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets	
Investments in securities, at value (cost $376,594,099)	$ 419,626,073
Foreign currency, at value (cost $29,990)	30,136
Dividends receivable	339,523
Interest receivable	14,456
Receivable for Portfolio shares sold	443,313
Foreign taxes recoverable	7,431
Total assets	420,460,932
Liabilities	
Payable for investments purchased	175,604
Payable for Portfolio shares redeemed	382,206
Accrued management fee	219,932
Other accrued expenses and payables	122,322
Total liabilities	900,064
Net assets, at value	**$ 419,560,868**
Net Assets	
Net assets consist of:	
Net unrealized appreciation (depreciation) on:	
Investments	43,031,974
Foreign currency related transactions	195
Accumulated net realized gain (loss)	(96,998,719)
Paid-in capital	473,527,418
Net assets, at value	**$ 419,560,868**
Net Asset Value and redemption price per share ($419,560,868 ÷ 19,928,329 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 21.05**

Statement of Operations for the year ended December 31, 2001

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $21,236)	$ 2,570,513
Interest	961,095
Total Income	3,531,608
Expenses:	
Management fee	2,797,103
Custodian fees	21,527
Auditing	43,233
Legal	21,542
Trustees' fees and expenses	32,554
Reports to shareholders	3,895
Other	22,011
Total expenses, before expense reductions	2,941,865
Expense reductions	(320)
Total expenses, after expense reductions	2,941,545
Net investment income (loss)	**590,063**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	(82,888,539)
Foreign currency related transactions	(7,279)
	(82,895,818)
Net unrealized appreciation (depreciation) during the period on:	
Investments	(47,492,035)
Foreign currency related transactions	195
	(47,491,840)
Net gain (loss) on investment transactions	**(130,387,658)**
Net increase (decrease) in net assets resulting from operations	**$ (129,797,595)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 590,063	$ (216,302)
Net realized gain (loss) on investment transactions	(82,895,818)	32,561,555
Net unrealized appreciation (depreciation) on investment transactions during the period	(47,491,840)	(171,597,472)
Net increase (decrease) in net assets resulting from operations	(129,797,595)	(139,252,219)
Distributions to shareholders from:		
Net investment income	(587,343)	—
Net realized gains	(43,022,245)	(64,685,654)
Return of capital	(217,806)	—
Portfolio share transactions:		
Proceeds from shares sold	51,049,322	76,609,186
Net assets acquired in tax-free reorganization	7,576,034	—
Reinvestment of distributions	43,827,394	64,685,654
Cost of shares redeemed	(91,817,139)	(92,497,968)
Net increase (decrease) in net assets from Portfolio share transactions	10,635,611	48,796,872
Increase (decrease) in net assets	(162,989,378)	(155,141,001)
Net assets at beginning of period	582,550,246	737,691,247
Net assets at end of period	**$ 419,560,868**	**$ 582,550,246**

Other Information[a]

Shares outstanding at beginning of period	19,340,010	18,194,844
Shares sold	2,255,890	2,002,582
Shares issued in tax-free reorganization	318,053	—
Shares issued to shareholders in reinvestment of distributions	2,073,659	1,608,648
Shares redeemed	(4,059,283)	(2,466,064)
Net increase (decrease) in Portfolio shares	588,319	1,145,166
Shares outstanding at end of period	**19,928,329**	**19,340,010**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a]	1997[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 30.12**	**$ 40.54**	**$ 29.57**	**$ 30.01**	**$ 33.71**
Income (loss) from investment operations:					
Net investment income (loss)	.03[b]	(.01)[b]	(.01)[b]	.07	.12
Net realized and unrealized gain (loss) on investment transactions	(6.75)	(6.81)	10.98	4.59	4.48
Total from investment operations	(6.72)	(6.82)	10.97	4.66	4.60
Less distributions from:					
Net investment income	(.03)	—	—	(.10)	(.20)
Net realized gains on investment transactions	(2.31)	(3.60)	—	(5.00)	(8.10)
Return of capital	(.01)	—	—	—	—
Total distributions	(2.35)	(3.60)	—	(5.10)	(8.30)
Net asset value, end of period	**$ 21.05**	**$ 30.12**	**$ 40.54**	**$ 29.57**	**$ 30.01**
Total Return (%)	(22.34)	(19.06)	37.12	15.10	21.34
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	420	583	738	629	563
Ratio of expenses (%)	.63	.65	.66	.66	.65
Ratio of net investment income (loss) (%)	.13	(.03)	(.04)	.28	.42
Portfolio turnover rate (%)	73	65	87	109	170

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *Based on average shares outstanding during the period.*

Scudder High Yield Portfolio

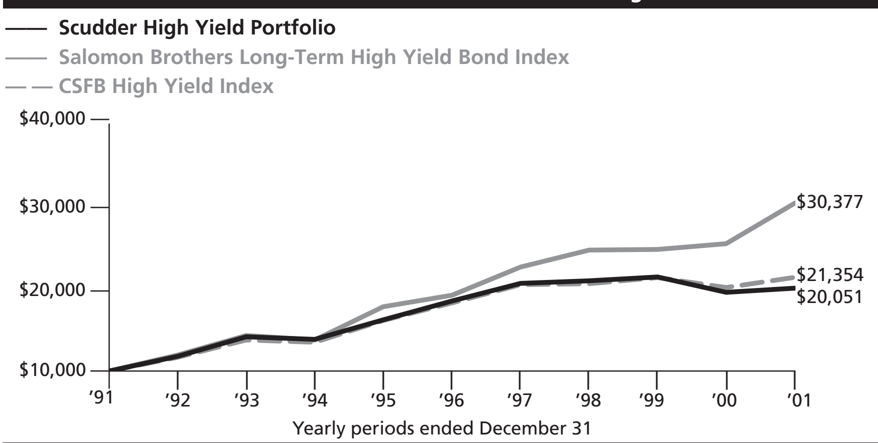
High-yield bonds finished the quarter and the year strong, but offered plenty of twists and turns along the way. After falling dramatically in response to the events of September 11 and struggling through much of October, high-yield bonds, like the equity market, rallied in the second half of the quarter amid expectations of economic recovery in 2002. During the quarter, the Federal Reserve Board maintained its easing stance and cut short-term interest rates. After a 50-basis-point cut on November 6 and a 25-basis-point cut on December 11, the federal funds rate finished the year at 1.75 percent.

In the quarter and the year, Scudder High Yield Portfolio slightly outperformed the Lipper High Current Yield Funds category average. The category includes portfolios that aim at high (relative) current yield from fixed-income securities, have no quality or maturity restrictions and tend to invest in lower-grade municipal debt. The portfolio finished the year with an overweight in B-rated issues, which helped as lower-quality bonds surged in the latter half of the quarter. Overweights in the gaming, wireless and housing sectors also aided returns, as those areas bounced back strongly particularly in November.

Overall, investor interest in high yield was solid in 2001. Issuance of new high-yield bonds was $95 billion in 2001, an increase over 2000. In addition, investors poured about twice as much money into high-yield mutual funds in 2001 as they did in 2000. However, credit conditions were tough in 2001. High-yield bonds finished the year with an estimated default rate of 10 percent. The market expects that rate to peak in mid-2002. Management sees this weeding-out period leading to a stronger high-yield market over the long term. Further, management believes the portfolio is well-positioned for 2002, with its current overweight relative to peers in B-rated bonds. Management looks for strong potential for the high-yield market in general in the upcoming year and continued solid results coming from B-rated issues.

Harry E. Resis, Jr.
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder High Yield Portfolio from 12/31/1991 to 12/31/2001



The Salomon Brothers Long-Term High Yield Bond Index is on a total return basis with all dividends reinvested and is composed of high-yield bonds with a par value of $50 million or higher and a remaining maturity of ten years or longer rated BB+ or lower by Standard & Poor's Corporation or Ba1 or lower by Moody's Investors Service, Inc. This index is unmanaged. The CSFB High Yield Index (formerly DLJ High Yield Index) is an unmanaged index that is market-weighted, including publicly traded bonds having a rating below BBB by Standard & Poor's and Moody's.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	5-Year	10-Year	
Scudder High Yield Portfolio	2.63%	–1.44%	1.63%	7.20%	(Since 4/6/1982)

[1] *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder High Yield Portfolio

	Principal Amount ($)	Value ($)
Corporate Bonds 74.6%		
Communications 13.6%		
AirGate PCS, Inc., Step–up Coupon, 0% to 10/1/2004, 13.5% to 10/1/2009	2,360,000	1,793,600
Allegiance Telecom, Inc.:		
12.875%, 5/15/2008	2,055,000	1,520,700
Step–up Coupon, 0% to 2/15/2003, 11.75% to 2/15/2008	1,520,000	668,800
American Tower Corp., 9.375%, 2/1/2009	3,180,000	2,559,900
AT&T Canada, Inc., 7.65%, 9/15/2006	80,000	50,400
Call–Net Enterprises, Inc.:		
9.375%, 5/15/2009	820,000	287,000
Step–up Coupon, 0% to 8/15/2003, 8.94% to 8/15/2008	225,000	56,250
Step–up Coupon, 0% to 5/15/2004, 10.8% to 5/15/2009	370,000	85,100
Crown Castle International Corp.:		
9.375%, 8/1/2011	390,000	357,825
10.75%, 8/1/2011	200,000	195,500
Step–up Coupon, 0% to 11/15/2002, 10.625% to 11/15/2007	2,000,000	1,680,000
Dolphin Telecom PLC, Step–up Coupon, 0% to 5/15/2004, 14.0% to 5/15/2009*	1,240,000	124
Exodus Communications, Inc.:		
11.25%, 7/1/2008*	660,000	118,800
11.625%, 12/15/2009*	450,000	81,000
11.625%, 7/15/2010*	200,000	36,000
FairPoint Communications, Inc., 12.5%, 5/1/2010	2,410,000	2,289,500
Global Crossing Holdings Ltd.:		
8.7%, 8/1/2007*	3,440,000	309,600
9.125%, 11/15/2006*	130,000	14,950
ICG Holdings, Inc., 13.5%, 9/15/2005*	4,190,000	261,875
Impsat Corp., 12.375%, 6/15/2008*	1,805,000	54,150
Insight Communications Co., Inc., 12.25%, 2/15/2011*	2,210,000	1,303,900
Intermedia Communications of Florida, Inc., Step–up Coupon, 0% to 7/15/2002, 11.25% to 7/15/2007	3,070,000	3,104,538
KMC Telecom Holdings, Inc.:		
13.5%, 5/15/2009	2,550,000	178,500
Step–up Coupon, 0% to 2/15/2003, 12.5% to 2/15/2008	3,840,000	153,600
Level 3 Communications, Inc.:		
11.0%, 3/15/2008	4,470,000	2,235,000
Step–up Coupon, 0% to 3/15/2005, 12.875% to 3/15/2010	2,400,000	552,000
McLeod USA, Inc.:		
9.25%, 7/15/2007*	1,550,000	325,500
11.375%, 1/1/2009*	200,000	45,000
Step–up Coupon, 0% to 3/1/2002, 10.5% to 3/1/2007	1,200,000	234,000
MGC Communications, Inc., 13.0%, 10/1/2004	2,000,000	640,000
Nextel Communications, Inc.:		
9.375%, 11/15/2009	5,570,000	4,400,297
9.5%, 2/1/2011	1,000,000	780,000
Step–up Coupon, 0% to 9/15/2002, 10.65% to 9/15/2007	1,425,000	1,090,125
Nextlink Communications, Inc.:		
12.5%, 4/15/2006	630,000	75,600
Step–up Coupon, 0% to 4/15/2003, 9.45% to 4/15/2008	920,000	96,600
Step–up Coupon, 0% to 6/1/2004, 12.25% to 6/1/2009	2,000,000	160,000
NTL, Inc., Series B, 11.5%, 2/1/2006	2,320,000	812,000
Price Communications Wireless, 9.125%, 12/15/2006	2,490,000	2,639,400
SBA Communications Corp.:		
10.25%, 2/1/2009	1,150,000	983,250
Step–up Coupon, 0% to 3/1/2003, 12.0% to 3/1/2008	1,150,000	862,500
Spectrasite Holdings, Inc.:		
Step–up Coupon, 0% to 4/15/2004, 11.25% to 4/15/2009	1,220,000	317,200
Step–up Coupon, 0% to 7/15/2003, 12.0% to 7/15/2008	3,220,000	998,200
Telecorp PCS, Inc., Step–up Coupon, 0% to 4/15/2004, 11.625% to 4/15/2009	180,000	156,600
Teligent, Inc., Step–up Coupon, 0% to 3/1/2003, 11.5% to 3/1/2008*	690,000	1,725
Tritel PCS, Inc.:		
10.375%, 1/15/2011	2,000,000	2,290,000
Step–up Coupon, 0% to 5/15/2004, 12.75% to 5/15/2009	1,490,000	1,266,500
Triton PCS, Inc.:		
9.375%, 2/1/2011	2,530,000	2,618,550

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Step–up Coupon, 0% to 5/1/2003, 11.0% to 5/1/2008	1,350,000	1,221,750
VoiceStream Wireless Corp., 10.375%, 11/15/2009	1,339,000	1,519,765
Western Wireless Corp., 10.5%, 2/1/2007	1,200,000	1,236,000
		44,719,174
Construction 4.2%		
American Standard Companies, Inc., 7.625%, 2/15/2010	200,000	201,000
D.R. Horton, Inc., 9.75%, 9/15/2010	200,000	206,000
Del Webb Corp., 10.25%, 2/15/2010	300,000	321,750
Dimac Corp., 12.5%, 10/1/2008*	1,540,000	15,400
Hovnanian Enterprises, Inc.:		
9.125%, 5/1/2009	690,000	693,450
9.75%, 6/1/2005	420,000	420,000
KB Home, 8.625%, 12/15/2008	920,000	924,600
Lennar Corp., 9.95%, 5/1/2010	1,550,000	1,708,875
Nortek, Inc.:		
9.125%, 9/1/2007	1,050,000	1,065,750
Series B, 9.875%, 6/15/2011	2,200,000	2,178,000
Ryland Group, Inc., 9.75%, 9/1/2010	670,000	720,250
Schuler Homes, Inc., 10.5%, 7/15/2011	1,050,000	1,094,625
Standard Pacific Corp.:		
8.0%, 2/15/2008	330,000	311,025
8.5%, 4/1/2009	510,000	489,600
Toll Corp.:		
7.75%, 9/15/2007	210,000	205,275
8.125%, 2/1/2009	100,000	99,000
8.75%, 11/15/2006	500,000	510,000
WCI Communities, Inc., 10.625%, 2/15/2011	2,490,000	2,570,925
		13,735,525
Consumer Discretionary 14.8%		
Advantica Restaurant Co., 11.25%, 1/15/2008	1,614,706	1,138,368
AFC Enterprises, Inc., 10.25%, 5/15/2007	3,100,000	3,270,500
Ameristar Casino, Inc., 10.75%, 2/15/2009	2,440,000	2,635,200
AMF Bowling, Inc.:		
10.875%, 3/15/2006*	2,540,000	25,400
12.25% to 3/15/2006*	2,320,000	23,200
Boca Resorts, Inc., 9.875%, 4/15/2009	3,030,000	3,120,900
Choctaw Resort Development Enterprises, 9.25%, 4/1/2009	640,000	654,400
Cinemark USA, Inc., 8.5%, 8/1/2008	1,170,000	1,053,000

	Principal Amount ($)	Value ($)
Eldorado Resorts LLC, 10.5%, 8/15/2006	2,010,000	1,952,213
Finlay Enterprises, Inc., 9.0%, 5/1/2008	350,000	311,500
Finlay Fine Jewelry Co., 8.375%, 5/1/2008	1,590,000	1,423,050
FRD Acquisition, 12.5%, 7/15/2004*	210,000	2,625
Gap, Inc., 8.8%, 12/15/2008	840,000	734,985
Guitar Center Management, 11.0%, 7/1/2006	1,810,000	1,791,900
Hasbro, Inc., 8.5%, 3/15/2006	430,000	435,375
Hines Horticulture, Inc., Series B, 12.75%, 10/15/2005	2,096,000	2,096,000
HMH Properties, Inc., Series B, 7.875%, 8/1/2008	2,980,000	2,749,050
Horseshoe Gaming LLC, 9.375%, 6/15/2007	540,000	573,075
Imperial Home Decor Group, Inc., 11.0%, 3/15/2008*	1,050,000	1,050
International Game Technology, 8.375%, 5/15/2009	1,300,000	1,368,250
Kmart Corp., 9.875%, 6/15/2008	1,350,000	1,119,790
Krystal, Inc., 10.25%, 10/1/2007	2,050,000	1,599,000
Mandalay Resort Group:		
6.45%, 2/1/2006	350,000	330,750
9.5%, 8/1/2008	490,000	513,275
Series B, 10.25%, 8/1/2007	200,000	207,500
MGM Mirage, Inc.:		
8.5%, 9/15/2010	1,210,000	1,236,575
9.75%, 6/1/2007	2,310,000	2,419,725
Park Place Entertainment Corp., 8.875%, 9/15/2008	200,000	203,750
Perkins Finance LP, 10.125%, 12/15/2007	1,190,000	1,166,200
Rent–A–Center, Inc., 11.0%, 8/15/2008	750,000	761,250
Restaurant Co., Step–up Coupon, 0% to 5/15/2003, 11.25% to 5/15/2008	1,706,686	1,449,833
Royal Caribbean Cruises Ltd.:		
6.75%, 3/15/2008	280,000	217,668
7.0%, 10/15/2007	110,000	88,773
7.25%, 8/15/2006	80,000	64,798
8.75%, 2/2/2011	3,760,000	2,924,896
Sealy Mattress Co.:		
9.875%, 12/15/2007	1,200,000	1,200,000
Step–up Coupon, 0% to 12/15/2002, 10.875% to 12/15/2007	2,040,000	1,764,600
Six Flags, Inc., 9.5%, 2/1/2009	2,920,000	2,938,250
Station Casinos, Inc.:		
9.75%, 4/15/2007	680,000	691,900
9.875%, 7/1/2010	1,560,000	1,585,350

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	600,000	609,000
		48,452,924

Consumer Staples 0.9%

	Principal Amount ($)	Value ($)
Dyersburg Corp., 9.75%, 9/1/2007*	1,260,000	26,775
Fleming Companies, Inc.:		
10.125%, 4/1/2008	710,000	717,100
10.625%, 7/1/2007	340,000	324,700
Grove Worldwide LLC, 9.25%, 5/1/2008*	1,180,000	23,600
Jafra Cosmetics International, Inc., 11.75%, 5/1/2008	1,710,000	1,710,000
		2,802,175

Durables 1.8%

	Principal Amount ($)	Value ($)
Airxcel, Inc., 11.0%, 11/15/2007	880,000	475,200
DeCrane Aircraft Holdings, Inc., 12.0%, 9/30/2008	1,180,000	1,103,300
Fairchild Corp., 10.75%, 4/15/2009	1,500,000	510,000
Lear Corp., Series B, 8.11%, 5/15/2009	200,000	202,331
Sonic Automotive, Inc., 11.0%, 8/1/2008	350,000	362,250
United Rentals, Inc.:		
Series B, 9.0%, 4/1/2009	960,000	936,000
9.25%, 1/15/2009	2,350,000	2,326,500
		5,915,581

Energy 5.8%

	Principal Amount ($)	Value ($)
AES Corp., 9.375%, 9/15/2010	2,830,000	2,547,000
Chesapeake Energy Corp., 8.125%, 4/1/2011	2,020,000	1,959,400
Continental Resources, Inc., 10.25%, 8/1/2008	1,470,000	1,256,850
El Paso Energy Partners LP, 8.5%, 6/1/2011	300,000	303,000
EOTT Energy Partners, 11.0%, 10/1/2009	1,600,000	1,584,000
Key Energy Services, Inc., 14.0%, 1/15/2009	472,000	545,160
Nuevo Energy Co., 9.375%, 10/1/2010	310,000	286,750
Parker Drilling Co., 9.75%, 11/15/2006	2,760,000	2,746,200
Pen Holdings, Inc., 9.875%, 6/15/2008	335,000	154,100
Pioneer Natural Resources Co., 9.625%, 4/1/2010	200,000	219,046
Pride International, Inc., 10.0%, 6/1/2009	1,470,000	1,594,950
R&B Falcon Corp., 9.5%, 12/15/2008	370,000	417,684
Stone Energy Corp.:		
8.25%, 12/15/2011	810,000	822,150
8.75%, 9/15/2007	870,000	887,400
Swift Energy Co., 10.25%, 8/1/2009	1,000,000	1,010,000
Tesoro Petroleum Corp., 9.625%, 11/1/2008	190,000	197,125
Triton Energy Ltd., 8.875%, 10/1/2007	820,000	910,200
Westport Resources Corp., 8.25%, 11/1/2011	1,550,000	1,565,500
		19,006,515

Health 3.5%

	Principal Amount ($)	Value ($)
Dade International, Inc., 11.125%, 5/1/2006*	1,190,000	499,800
HCA, Inc., 8.75%, 9/1/2010	200,000	216,000
Insight Health Services, 9.875%, 11/1/2011	890,000	921,150
Magellan Health Services, Inc., 9.0%, 2/15/2008	2,570,000	2,287,300
Mariner Post–Acute Network, Inc.:		
10.5%, 8/1/2006	1,130,000	1,039,600
Step–up Coupon, 0% to 11/1/2002, 10.5% to 11/1/2007*	4,340,000	21,700
MEDIQ, Inc., 11.0%, 6/1/2008*	400,000	4,000
National Vision, Inc., 12.0%, 3/30/2009	1,670,000	1,027,050
Res–Care, Inc., 10.625%, 11/15/2008	810,000	805,950
Triad Hospitals, Inc., 8.75%, 5/1/2009	2,410,000	2,512,425
Vanguard Health Systems, 9.75%, 8/1/2011	1,360,000	1,428,000
Vicar Operating, Inc., 9.875%, 12/1/2009	600,000	612,000
		11,374,975

Manufacturing 12.9%

	Principal Amount ($)	Value ($)
Atlantis Group, Inc., 11.0%, 2/15/2003	935,000	935,000
Avondale Mills, Inc., 10.25%, 5/1/2006	1,590,000	1,383,300
Berry Plastics Corp., 12.25%, 4/15/2004	1,530,000	1,543,388
BPC Holdings Corp., 12.5%, 6/15/2006	1,376,074	1,210,945
CSK Auto, Inc., 12.0%, 6/15/2006	580,000	584,350
Day International Group, Inc., 11.125%, 6/1/2005	1,020,000	958,800
Delco Remy International, Inc., 10.625%, 8/1/2006	440,000	434,500
Eagle–Picher Holdings, Inc., 9.375%, 3/1/2008	1,380,000	759,000
Equistar Chemicals, 10.125%, 9/1/2008	1,680,000	1,688,400
Flowserve Corp., 12.25%, 8/15/2010	422,000	470,530
Foamex LP, 13.5%, 8/15/2005	1,130,000	937,900
Fonda Group, 9.5%, 3/1/2007	1,340,000	1,206,000

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Gaylord Container Corp., 9.75%, 6/15/2007	1,260,000	1,064,700
Grove Holdings LLC, Step–up Coupon, 0% to 5/1/2003, 11.625% to 5/1/2009*	310,000	1,550
GS Technologies Corp.:		
12.0%, 9/1/2004*	1,090,000	21,800
12.25%, 10/1/2005*	1,340,000	13,400
Hayes Lemmerz International, Inc., 11.875%, 6/15/2006*	670,000	318,250
Hayes Wheels International, Inc., 11.0%, 7/15/2006*	1,500,000	67,500
ISP Chemical Co., 10.25%, 7/1/2011	730,000	762,850
ISP Holdings, Inc.:		
9.0%, 10/15/2003	500,000	507,500
10.625%, 12/15/2009	780,000	780,000
Knoll, Inc., 10.875%, 3/15/2006	626,000	594,700
Louisiana Pacific Corp., 10.875%, 11/15/2008	730,000	700,800
Lyondell Chemical Co.:		
9.5%, 12/15/2008	2,150,000	2,128,500
9.875%, 5/1/2007	400,000	402,000
Series A, 9.625%, 5/1/2007	200,000	202,000
Motors and Gears, Inc., 10.75%, 11/15/2006	750,000	652,500
Navistar International Corp., 9.375%, 6/1/2006	1,300,000	1,365,000
NL Industries, Inc., 11.75%, 10/15/2003	2,603,000	2,576,970
OM Group, Inc., 9.25%, 12/15/2011	610,000	622,200
Owens–Illinois, Inc., 8.1%, 5/15/2007	1,770,000	1,637,250
Plainwell, Inc., 11.0%, 3/1/2008*	4,445,000	44,450
Plastipak Holdings, Inc., 10.75%, 9/1/2011	560,000	588,000
Printpack, Inc., 10.625%, 8/15/2006	1,440,000	1,497,600
Riverwood International Corp.:		
10.25%, 4/1/2006	570,000	587,100
10.875%, 4/1/2008	2,420,000	2,456,300
Salton, Inc.:		
10.75%, 12/15/2005	240,000	235,200
12.25%, 4/15/2008	840,000	840,000
SF Holdings Group, Inc., Step–up Coupon, 0% to 3/15/2003, 12.75% to 3/15/2008	2,030,000	791,700
Stone Container Corp., 9.75%, 2/1/2011	1,790,000	1,901,875
Tenneco Automotive, Inc., 11.625%, 10/15/2009	190,000	93,100
Terex Corp.:		
8.875%, 4/1/2008	2,980,000	2,935,300
10.375%, 4/1/2011	450,000	468,000

	Principal Amount ($)	Value ($)
Terra Capital, Inc., 12.875%, 10/15/2008	1,670,000	1,653,300
Terra Industries, Inc., 10.5%, 6/15/2005	340,000	266,900
Texas Petrochemicals Corp., 11.125%, 7/1/2006	710,000	589,300
Venture Holdings, 9.5%, 7/1/2005	1,160,000	881,600
		42,361,308

Media 10.2%

	Principal Amount ($)	Value ($)
Adelphia Communications Corp.:		
8.125%, 7/15/2003	390,000	387,075
10.25%, 6/15/2011	1,670,000	1,665,825
10.875%, 10/1/2010	880,000	898,700
American Lawyer Media, Inc., 9.75%, 12/15/2007	1,190,000	871,675
Avalon Cable Holdings LLC, Step–up Coupon 0% to 12/1/2003, 11.875% to 12/1/2008	1,870,000	1,533,400
Charter Communications Holdings LLC:		
8.25%, 4/1/2007	2,120,000	2,037,850
10.0%, 4/1/2009	200,000	205,250
11.75%, 5/15/2011	140,000	86,100
Step–up Coupon, 0% to 1/15/2005, 11.75% to 1/15/2010	160,000	114,800
Step–up Coupon, 0% to 5/15/2006, 11.75% to 5/15/2011	160,000	162,800
Step–up Coupon, 0% to 1/15/2006, 13.5% to 1/15/2011	2,800,000	1,848,000
Clear Channel Communication, Inc., 8.0%, 11/1/2008	1,900,000	1,976,000
Comcast UK Cable Partners Ltd., 11.2%, 11/15/2007	3,230,000	2,390,200
CSC Holdings, Inc.:		
8.125%, 7/15/2009	400,000	411,119
8.125%, 8/15/2009	1,210,000	1,242,809
9.875%, 2/15/2013	1,145,000	1,216,563
10.5%, 5/15/2016	1,640,000	1,779,400
EchoStar DBS Corp.:		
9.125%, 1/15/2009	1,350,000	1,353,375
9.25%, 2/1/2006	1,510,000	1,540,200
9.375%, 2/1/2009	1,520,000	1,565,600
Frontiervision LP, 11.0%, 10/15/2006	860,000	886,875
Interep National Radio Sales, Inc., 10.0%, 7/1/2008	1,530,000	994,500
Key3Media Group, Inc., 11.25%, 6/15/2011	680,000	571,200
Nextmedia Operating, Inc., 10.75%, 7/1/2011	500,000	516,250
PriMedia, Inc., 8.009%, 5/15/2011	1,090,000	981,000

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Renaissance Media Group, Step–up Coupon, 0% to 4/15/2003, 10.0% to 4/15/2008	1,860,000	1,488,000
Rogers Cablesystems Ltd., 10.0%, 3/15/2005	630,000	683,550
Sinclair Broadcasting Group, Inc.:		
8.75%, 12/15/2007	550,000	548,625
9.0%, 7/15/2007	350,000	351,750
Transwestern Publishing:		
Series F, 9.625%, 11/15/2007	950,000	973,750
Step–up Coupon, 0% to 11/15/2002, 11.875% to 11/15/2008	420,000	348,600
United International Holdings, Step–up Coupon, 0% to 2/15/2003, 10.75% to 2/15/2008	2,750,000	797,500
Young Broadcasting, Inc., 8.5%, 12/15/2008	1,170,000	1,175,850
		33,604,191
Metals and Minerals 0.7%		
Compass Minerals Group, 10.0%, 8/15/2011	330,000	342,375
Metals USA, Inc., 8.625%, 2/15/2008*	970,000	172,175
MMI Products, Inc., 11.25%, 4/15/2007	1,405,000	1,296,113
Republic Technologies International, 13.75%, 7/15/2009*	2,820,000	183,300
U.S. Can Corp., 12.375%, 10/1/2010	600,000	378,000
		2,371,963
Service Industries 4.1%		
Allied Waste North America, Inc., 10.0%, 8/1/2009	1,590,000	1,637,700
Autonation, Inc., 9.0%, 8/1/2008	380,000	386,650
Avis Group Holdings, Inc., 11.0%, 5/1/2009	3,580,000	3,794,800
Coinmach Corp., 11.75%, 11/15/2005	2,430,000	2,490,750
Kindercare Learning Centers, Inc., 9.5%, 2/15/2009	1,550,000	1,480,250
La Petite Academy, Inc., 10.0%, 5/15/2008	1,890,000	1,323,000
Trico Marine Services, Inc., 8.5%, 8/1/2005	1,400,000	1,260,000
United Rentals Inc., 10.75%, 4/15/2008	920,000	979,800
		13,352,950
Technology 0.1%		
PSINet, Inc.:		
10.0%, 2/15/2005*	400,000	30,000
11.0%, 8/1/2009*	1,970,000	147,750

	Principal Amount ($)	Value ($)
11.5%, 11/1/2008*	1,490,000	111,750
		289,500
Transportation 0.9%		
Petro Stopping Centers, 10.5%, 2/1/2007	2,520,000	2,091,600
Teekay Shipping Corp., 8.875%, 7/15/2011	1,000,000	1,025,000
		3,116,600
Utilities 1.1%		
Calpine Corp.:		
7.75%, 4/15/2009	1,750,000	1,543,887
8.25%, 8/15/2005	680,000	619,182
8.5%, 5/1/2008	340,000	310,972
8.625%, 8/15/2010	200,000	181,683
CMS Energy Corp., 7.5%, 1/15/2009	200,000	195,770
Flextronics International Ltd., 9.875%, 7/1/2010	200,000	210,000
Niagara Mohawk Power Corp., Series G, 7.75%, 10/1/2008	200,000	212,602
PSEG Energy Holdings, 10.0%, 10/1/2009	200,000	213,967
		3,488,063
Total Corporate Bonds (Cost $311,841,000)		**244,591,444**

Foreign Bonds — U.S.$ Denominated 6.5%		
Australis Holdings, 15.0%, 11/1/2002*	3,660,000	366
Diamond Cable Communications PLC, 13.25%, 9/30/2004	1,990,000	517,400
Euramax International PLC, 11.25%, 10/1/2006	2,060,000	1,967,300
Global Telesystems, Inc.:		
10.875%, 6/15/2008	800,000	2,000
11.5%, 12/15/2007	1,625,000	4,063
Kappa Beheer BV, 10.625%, 7/15/2009	530,000	572,400
MetroNet Communications Corp.:		
10.625%, 11/1/2008	1,710,000	1,156,730
12.0%, 8/15/2007	1,190,000	840,587
Step–up Coupon, 0% to 6/15/2003, 9.95% to 6/15/2008	750,000	377,821
Step–up Coupon, 0% to 11/1/2002, 10.75% to 11/1/2007	2,000,000	1,268,044
Millicom International Cellular SA, Step–up Coupon, 0% to 6/1/2001, 13.5% to 6/1/2006	2,830,000	1,867,800
PTC International Finance:		
Series II, 11.25%, 12/1/2009	360,000	360,000

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Step–up Coupon, 0% to 7/1/2002, 10.75% to 7/1/2007	1,440,000	1,288,800
Rogers Cantel, Inc., 9.75%, 6/1/2016	3,000,000	2,970,000
Star Choice Communications, Inc., 13.0%, 12/15/2005	750,000	787,500
Stone Container Corp., 11.5%, 8/15/2006	1,585,000	1,688,025
TeleWest Communications PLC:		
9.625%, 10/1/2006	720,000	493,200
9.875%, 2/1/2010	200,000	140,000
11.0%, 10/1/2007	2,895,000	2,084,400
11.25%, 11/1/2008	1,650,000	1,204,500
TFM, SA de CV, 10.25%, 6/15/2007	1,020,000	938,400
Versatel Telecom NV:		
11.875%, 7/15/2009	410,000	139,400
Series B, 13.25%, 5/15/2008	910,000	133,000
Series BV, 13.25%, 5/15/2008	380,000	318,500
Total Foreign Bonds — U.S.$ Denominated (Cost $32,697,933)		**21,120,236**

	Shares	Value ($)
Common Stocks* 0.1%		
Communications 0.0%		
Telephone / Communications		
AT&T Canada, Inc.	30	906
ICG Communications, Inc.	4,851	223
Song Networks Holdings AB (ADR)	6,340	5,199
		6,328
Health 0.0%		
Health Industry Services		
National Vision, Inc.	69,397	63,845
Manufacturing 0.0%		
Containers & Paper		
Gaylord Container Corp.	15,650	15,807
SF Holdings Group, Inc.	517	2,068
		17,875
Metals and Minerals 0.1%		
Steel & Metals		
Metal Management, Inc.	83,423	200,215
Total Common Stocks (Cost $2,104,697)		**288,263**

	Shares	Value ($)
Warrants* 0.1%		
Communications 0.0%		
Cellular Telephone		
Communication Cellular SA	2,200	4,400
Telephone / Communications		
Benedek Communications Corp.	5,000	—
Econophone, Inc.	1,260	13
KMC Telecom Holdings, Inc.	1,950	20
		33
Construction 0.0%		
Building Materials		
Waxman Industries, Inc.	52,274	523
Homebuilding		
Capital Pacific Holdings	3,634	363
Consumer Discretionary 0.1%		
Specialty Retail		
Stage Stores, Inc.	25,870	155,220
Stage Stores, Inc.	12,288	110,592
		265,812
Durables 0.0%		
Aerospace		
Decrane Holdings Co.	1,350	14
Energy 0.0%		
Oil / Gas Transmission		
Empire Gas Corp.	2,070	2,070
Financial 0.0%		
Other Financial Companies		
Ono Finance PLC	1,650	16,500
Manufacturing 0.0%		
Diversified Manufacturing		
Republic Technology Corp.	2,820	28
Media 0.0%		
Cable Television		
UIH Australia Pacific, Inc.	750	—
Service Industries 0.0%		
Printing / Publishing		
American Banknote Corp.	1,200	—
Total Warrants (Cost $393,095)		**289,743**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Preferred Stocks 0.7%		
Communications 0.3%		
Cellular Telephone		
Dobson Communications Corp., PIK*	1,057	967,155
Manufacturing 0.0%		
Containers & Paper		
SF Holdings Group, Inc. PIK*	30	31,500
SF Holdings Group, Inc.*	14	14,700
		46,200
Media 0.4%		
Broadcasting & Entertainment		
Sinclair Broadcast Group, Inc.	13,000	1,313,000
Total Preferred Stocks (Cost $2,727,610)		**2,326,355**

	Shares	Value ($)
Convertible Preferred Stocks 0.0%		
Communications		
Telephone / Communications		
World Access, Inc.* (Cost $1,389,748)	933	**45,712**

	Units	Value ($)
Other 0.0%		
Service Industries		
Miscellaneous Consumer Services		
SpinCycle, Inc.	39,810	97,278
SpinCycle, Inc. "F"	279	15
Total Other (Cost $103,208)		**97,293**

	Units	Value ($)
Asset Backed 0.8%		
Golden Tree High Yield Opportunities, 13.054%, 10/31/2007 (Cost $2,500,000)	2,500,000	**2,499,250**

	Principal Amount ($)	Value ($)
U.S. Treasury Obligations 16.9%		
U.S. Treasury Bonds:		
13.875%, 5/15/2011	10,000,000	13,734,400
14%, 11/15/2011 (c)	29,500,000	41,631,875
Total U.S. Treasury Obligations (Cost $55,566,691)		**55,366,275**
Purchased Options 0.0%		
Put on Allied Waste Industries, Inc., strike price at 12.50, expires 3/18/2002	280	25,200
Put on Fleming Companies, Inc., strike price at 17.50, expires 4/22/2002	57	11,400
Put on Fleming Companies, Inc., strike price at 20.00, expires 4/22/2002	14	4,900
Total Purchased Options (Cost $82,777)		**41,500**
Cash Equivalents 0.3%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $1,061,743)	1,061,743	**1,061,743**
Total Investment Portfolio — 100.0% (Cost $410,468,502) (a)		**327,727,814**

Notes to Scudder High Yield Portfolio of Investments

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest or has filed for bankruptcy.*

(a) *The cost for federal income tax purposes was $412,187,568. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $84,459,754. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $6,039,958 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $90,499,712.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at December 31, 2001.*

(c) *At December 31, 2001, this security has been pledged to cover in whole or in part, initial margin requirements for open futures contracts.*

At December 31, 2001, open futures contracts sold short were as follows:

Futures	Expiration	Contracts	Aggregate Face Value ($)	Value ($)
5 year U.S. Treasury Note	3/28/02	430	45,181,033	45,506,093
Total unrealized depreciation on futures contracts sold short				**$ (325,060)**

PIK denotes that interest or dividend is paid in kind.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $410,468,502)	$ 327,727,814
Cash	10,000
Receivable for investments sold	222,114
Interest receivable	7,211,568
Receivable for Portfolio shares sold	142,010
Total assets	335,313,506

Liabilities

Payable for investments purchased	3,303
Payable for Portfolio shares redeemed	183,891
Payable for daily variation margin on open futures contracts	221,719
Accrued management fee	175,802
Other accrued expenses and payables	118,458
Total liabilities	703,173
Net assets, at value	**$ 334,610,333**

Net Assets

Net assets consist of:	
Undistributed net investment income	29,298,186
Net unrealized appreciation (depreciation) on:	
Investments	(82,740,688)
Futures	(325,060)
Accumulated net realized gain (loss)	(67,075,224)
Paid-in capital	455,453,119
Net assets, at value	**$ 334,610,333**
Net Asset Value and redemption price per share ($334,610,333 ÷ 41,133,893 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	$ 8.13

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:	
Dividends	$ 279,335
Interest	31,799,924
Total Income	32,079,259
Expenses:	
Management fee	1,817,767
Custodian fees	15,484
Auditing	36,797
Legal	180,493
Trustees' fees and expenses	20,710
Reports to shareholders	23,862
Other	14,289
Total expenses, before expense reductions	2,109,402
Expense reductions	(1,023)
Total expenses, after expense reductions	2,108,379
Net investment income	**29,970,880**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(26,022,153)
Futures	(112,447)
	(26,134,600)
Net unrealized appreciation (depreciation) during the period on:	
Investments	6,164,532
Futures	(325,060)
	5,839,472
Net gain (loss) on investment transactions	(20,295,128)
Net increase (decrease) in net assets resulting from operations	**$ 9,675,752**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income	$ 29,970,880	$ 37,401,064
Net realized gain (loss) on investment transactions	(26,134,600)	(15,834,192)
Net unrealized appreciation (depreciation) on investment transactions during the period	5,839,472	(48,518,517)
Net increase (decrease) in net assets resulting from operations	9,675,752	(26,951,645)
Distributions to shareholders from:		
Net investment income	(37,937,710)	(43,395,484)
Portfolio share transactions:		
Proceeds from shares sold	150,832,821	95,392,371
Reinvestment of distributions	37,937,710	43,395,484
Cost of shares redeemed	(134,904,420)	(155,637,443)
Net increase (decrease) in net assets from Portfolio share transactions	53,866,111	(16,849,588)
Increase (decrease) in net assets	25,604,153	(87,196,717)
Net assets at beginning of period	309,006,180	396,202,897
Net assets at end of period (including undistributed net investment income of $29,298,186 and $37,265,016, respectively)	**$ 334,610,333**	**$ 309,006,180**

Other Information[a]

Shares outstanding at beginning of period	33,728,812	34,578,344
Shares sold	18,119,336	10,031,398
Shares issued to shareholders in reinvestment of distributions	4,563,112	4,412,081
Shares redeemed	(15,277,367)	(15,293,011)
Net increase (decrease) in Portfolio shares	7,405,081	(849,532)
Shares outstanding at end of period	**41,133,893**	**33,728,812**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001[a]	2000[b]	1999[b]	1998[b]	1997[b]
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.16**	**$ 11.46**	**$ 12.27**	**$ 12.96**	**$ 12.81**
Income (loss) from investment operations:					
Net investment income	.84[c]	1.14[c]	1.22[c]	1.06	1.16
Net realized and unrealized gain (loss) on investment transactions	(.59)	(2.04)	(.93)	(.85)	.19
Total from investment operations	.25	(.90)	.29	.21	1.35
Less distributions from:					
Net investment income	(1.28)	(1.40)	(1.10)	(.90)	(1.20)
Total distributions	(1.28)	(1.40)	(1.10)	(.90)	(1.20)
Net asset value, end of period	**$ 8.13**	**$ 9.16**	**$ 11.46**	**$ 12.27**	**$ 12.96**
Total Return (%)	2.63	(8.68)	2.15	1.45	11.61
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	335	309	396	442	391
Ratio of expenses (%)	.70	.68	.67	.65	.65
Ratio of net investment income (loss) (%)	9.89	11.23	10.40	9.36	9.20
Portfolio turnover rate (%)	77	54	42	74	90

[a] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by $.08, increase net realized and unrealized gains and losses per share by $.08 and decrease the ratio of net investment income to average net assets from 10.74% to 9.89%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

[b] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[c] *Based on average shares outstanding during the period.*

Scudder International Research Portfolio

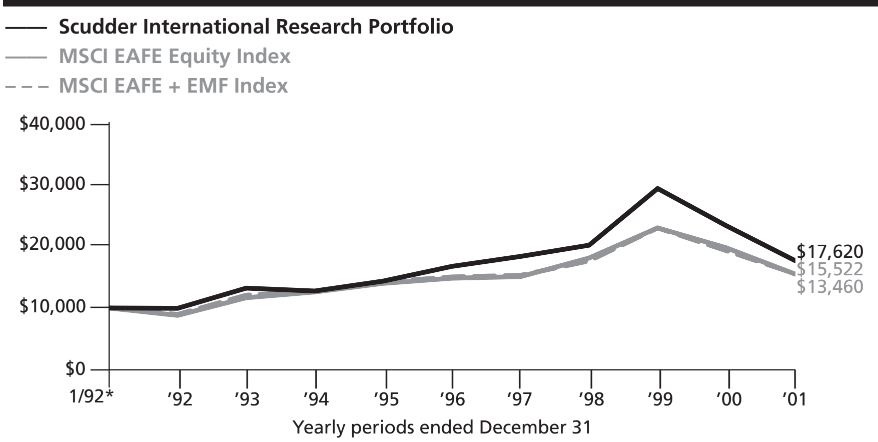
Global markets declined for the bulk of the annual period ending December 31, 2001. The corporate landscape was increasingly driven to shift away from rising profit expectations and toward a slowdown or even decline. Investor nervousness about the technology slowdown, rising oil prices and widespread economic malaise hurt stock prices as well as consumer confidence. A series of disappointing earnings announcements and corporate layoffs only made these problems worse. The events of September 11 in the United States severely aggravated these negative trends. However, central banks across the world reacted swiftly to ease interest rates and inject liquidity into the financial system. In the final months of the year, global markets in general rebounded in response to the quick and forceful reaction from global policy makers. Of the major international stock markets, Japan's was the weakest performer. The global economic slowdown hit Japan especially hard given the fragile state of its economy. European markets also retracted from previous highs, though they performed relatively better.

Scudder International Research Portfolio declined 24.43 percent against this backdrop, compared with the MSCI EAFE + EMF Index, which fell 19.47 percent. As you know, we try to maintain a diversified portfolio of international equities while also adhering to a regional allocation that is neutral compared with our benchmark. The three regions are Europe, Japan and the emerging markets. In Europe and Japan, we keep the portfolio's sector allocations neutral as well. Weakness among Japanese industrials and financials — reflecting economic weakness in that country — contributed to relative underperformance in developed markets. Select emerging markets holdings offset some of the damage, particularly toward the end of the period.

During the current period of heightened economic uncertainty, we remain focused first and foremost on security selection, with continued attention to strong market positions, balance sheet strength and valuation support. We expect the liquidity-driven rally to continue and are further encouraged by some signs of stabilization in the U.S. economy, which bodes well for the global economy.

Elizabeth van Caloen, Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder International Research Portfolio from 1/6/1992 to 12/31/2001



The MSCI EAFE Equity Index (Morgan Stanley Capital International Europe, Australasia, Far East Equity Index) is an unmanaged index generally accepted as a benchmark for major overseas markets. The MSCI EAFE + EMF Index (Morgan Stanley Capital International Europe, Australasia, Far East and Emerging Markets Free Index) is an unmanaged index generally accepted as a benchmark for major overseas markets plus emerging markets. Beginning with the next semiannual report, the MSCI EAFE + EMF Index, which accommodates a slightly larger investment universe, will be shown instead of the MSCI EAFE Equity Index.

Annual Average Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	5-Year	Life of Portfolio	
Scudder International Research Portfolio	–24.43%	–4.33%	1.07%	5.84%	(Since 1/6/1992)

* *The Portfolio commenced operations on January 6, 1992. Index comparisons begin December 31, 1991.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder International Research Portfolio

	Shares	Value ($)
Common Stocks 96.4%		
Australia 2.2%		
Aristocrat Leisure Ltd. (Manufacturer and seller of gaming machines)	298,000	1,003,953
Brambles Industries Ltd. (Provider of waste management services)	142,854	758,366
Westpac Banking Corp., Ltd. (Provider of banking services)	118,027	949,190
		2,711,509
Belgium 0.6%		
Interbrew (Brewer of beers)	28,300	775,718
Brazil 0.8%		
Aracruz Celulose SA (ADR) (Manufacturer of forest products)	51,400	934,452
Canada 3.9%		
Alcan, Inc. (Manufacturer of aluminum and finished products)	17,730	636,476
Bank of Nova Scotia (Provider of banking services)	27,900	858,030
Canadian National Railway Co. (Operator of railroads)	18,800	905,754
Imperial Oil Ltd. (Producer and refiner of natural gas and petroleum products)	26,900	748,705
Precision Drilling Corp.* (Provider of drilling and energy services)	26,000	670,578
Royal Bank of Canada (Provider of general banking services)	25,300	823,680
		4,643,223
Denmark 0.9%		
Novo Nordisk A/S "B" (Developer of diabetes care products)	26,900	1,100,491
Egypt 0.5%		
Egyptian Company for Mobile Services* (Provider of cellular telecommunication services)	89,800	653,430
Finland 1.5%		
Nokia Oyj (Manufacturer of telecommunication systems and equipment)	70,700	1,825,116
France 10.4%		
Assurances Generales de France (Provider of diversified insurance services)	12,583	604,569
Aventis SA (Manufacturer of life science products)	17,706	1,258,704
Groupe Danone (Producer of food products)	6,738	822,857
Lafarge SA (Supplier of various building materials)	7,061	660,259
Peugeot SA (Manufacturer of automobiles and commercial vehicles)	28,182	1,199,548
Sanofi-Synthelabo SA (Manufacturer of health care products and medical and surgical equipment)	17,593	1,314,185
Schneider Electric SA (Manufacturer of electronic components and automated manufacturing systems)	18,184	875,298
Societe Generale "A" (Provider of banking services)	41,112	2,303,278
Suez SA (Operator of water treatment plants)	42,430	1,285,951
Total Fina ELF SA "B" (Explorer of oil and natural gas)	15,144	2,165,297
		12,489,946
Germany 11.2%		
Allianz AG (Provider of diversified insurance services)	4,732	1,119,907
Altana AG (Developer and manufacturer of pharmaceutical, diagnostic and chemical products)	25,167	1,254,053
BASF AG (Explorer and producer of oil, natural gas and chemical products)	25,645	956,689
Bayer AG (Producer of chemical products)	20,868	664,082
Deutsche Bank AG (Registered) (Provider of financial services) (c)	32,580	2,303,015
Deutsche Lufthansa AG (Operator of international airline services)	73,994	995,969
Deutsche Telekom AG (Registered) (Provider of telecommunication services)	104,314	1,803,918
Metro AG (Operator of retail stores)	32,580	1,147,151
Muenchener Rueckversicherungs-Gesellschaft AG (Registered) (Provider of financial services)	5,066	1,377,329
Siemens AG (Manufacturer of electronic equipment)	28,309	1,888,813
		13,510,926

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Hong Kong 1.1%		
China Mobile (Hong Kong) Ltd.* (Provider of cellular telecommunication services)	182,000	640,623
China Petroleum & Chemical Corp. (Explorer and producer of crude oil and natural gas)	5,399,000	740,775
		1,381,398
Ireland 0.6%		
Bank of Ireland (Provider of banking and other financial services)	80,223	745,142
Italy 1.9%		
Assicurazioni Generali SpA (Provider of insurance and financial services)	38,300	1,065,187
Telecom Italia Mobile SpA (Provider of cellular telecommunication services)	211,500	1,182,090
		2,247,277
Japan 17.5%		
Benesse Corp. (Provider of educational services)	22,700	586,341
Canon, Inc. (Producer of visual image and information equipment)	31,000	1,062,144
Daikin Industries Ltd. (Manufacturer of air conditioning equipment)	51,000	796,209
Daiwa Securities Group, Inc. (Provider of brokerage and other financial services)	159,000	832,265
East Japan Railway Co. (Operator of railroad services)	189	908,889
Fuji Photo Film Co., Ltd. (Manufacturer of various films and cameras)	27,000	959,964
Honda Motor Co., Ltd. (Manufacturer of motorcycles, automobiles and power products)	25,400	1,009,208
Kirin Brewery Co., Ltd. (Producer of beer, soft drinks,food products, whiskey and pharmaceuticals)	152,000	1,082,003
KYORIN Pharmaceutical Co., Ltd. (Manufacturer of prescription medicines)	34,500	891,134
Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)	54,000	690,435
Mitsubishi Corp. (Operator of a general trading company)	136,000	879,252
Mitsubishi Estate Co., Ltd. (Provider of real estate services)	78,000	568,275
Mizuho Holdings, Inc. (Provider of financial services)	318	645,035
Murata Manufacturing Co., Ltd. (Manufacturer of computers)	7,700	459,789
NEC Corp. (Manufacturer of telecommunication and computer equipment)	84,000	853,210
Nidec Corp. (Manufacturer of small-scale motors for electronic devices)	10,500	550,406
NTT DoCoMo, Inc. (Provider of various telecommunication services and equipment)	70	818,962
Oriental Land Co., Ltd. (Operator of Tokyo Disney)	8,700	595,510
Shin-Etsu Chemical Co., Ltd. (Producer and distributor of synthetic resins and chemicals)	44,700	1,599,461
Takeda Chemical Industries, Ltd. (Manufacturer of pharmaceutical products)	19,000	855,960
Tokyo Gas Co., Ltd. (Producer and supplier of gas)	342,000	911,965
Toppan Printing Co., Ltd. (Operator of commercial and publication printing operations)	60,000	551,090
Toyota Motor Corp. (Manufacturer of diversified automotive products)	52,200	1,316,600
UFJ Holdings, Inc.* (Provider of various financial services)	240	526,932
Yamada Denki Co., Ltd. (Operator of consumer electronic stores)	16,300	1,139,254
		21,090,293
Korea 2.4%		
Kookmin Bank* (Provider of banking services)	28,005	1,061,781
Korea Telecom Corp. (ADR) (Provider of telecommunication services)	28,406	577,494
Samsung Electronics Co., Ltd. (Manufacturer of electronic equipment)	5,830	1,238,348
		2,877,623
Mexico 1.6%		
Telefonos de Mexico SA de CV "L" (ADR) (Provider of telecommunication services)	28,000	980,560
Wal-Mart de Mexico SA de CV "C" (Operator of retail discount stores)	380,000	894,852
		1,875,412

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Netherlands 7.4%		
Aegon NV (Provider of insurance and financial services)	23,159	627,575
Akzo Nobel NV (Producer and marketer of health care products)	14,700	657,144
Getronics NV (Provider of computer consulting and solution design services)	222,500	721,945
Heineken NV (Brewer of alcoholic beverages)	41,625	1,580,281
ING Groep NV (Provider of financial services)	46,540	1,188,152
Royal Dutch Petroleum Co. (Provider of petroleum products)	39,740	2,015,639
Unilever NV (Manufacturer of packaged food and personal care products)	13,800	810,042
Vedior NV (Provider of employment services)	112,620	1,352,246
		8,953,024
Russia 1.6%		
Mobile Telesystems (ADR)* (Provider of mobile telecommunications services)	16,600	591,956
OAO Gazprom (ADR) (Provider of natural gas)	128,800	1,304,100
		1,896,056
Spain 2.4%		
Amadeus Global Travel Distribution SA (Operator of a travel reservation system)	191,300	1,105,001
Banco Bilbao Vizcaya Argentaria SA (Provider of commercial banking services)	147,611	1,828,968
		2,933,969
Switzerland 2.2%		
Nestle SA (Registered) (Producer and seller of food products)	5,555	1,186,336
Swiss Re (Registered) (Provider of insurance and banking services)	7,678	773,544
Syngenta AG* (Producer of chemicals)	12,448	645,830
		2,605,710
Taiwan 3.5%		
Asustek Computer, Inc. (Manufacturer of computer motherboards)	398,750	1,743,855
Bank Sinopac (Provider of commercial banking services)	1,826,000	762,029

	Shares	Value ($)
Taiwan Semiconductor Manufacturing Co., Ltd.* (Manufacturer of integrated circuits)	668,600	1,672,217
		4,178,101
Turkey 0.5%		
Turkcell Iletisim Hizmetleri AS* (Provider of cellular telecommunications services)	71,558,800	616,886
United Kingdom 21.7%		
ARM Holdings PLC* (Designer of RISC microprocessors and related technology)	217,064	1,134,680
Barclays PLC (Provider of financial services)	92,517	3,064,744
BP PLC (Provider of petroleum products)	362,058	2,815,209
Compass Group PLC (Operator of a catering services company)	160,054	1,200,231
Energis PLC* (Provider of telecommunication services)	1,255,609	1,074,122
Friends Provident PLC* (Manager of life assurance business)	204,210	594,700
GlaxoSmithKline PLC (Developer of vaccines, health related consumer products, prescriptions and OTC medicines)	131,769	3,305,900
J Sainsbury PLC (Distributor of food products)	289,338	1,541,977
National Grid Group PLC (Owner and operator of electric transmission systems)	149,711	933,015
Pearson PLC (Operator of a diversified media and entertainment holding company)	55,316	637,116
Railtrack Group PLC (Operator of railway infrastructure)	86,603	0
Reed International PLC (Publisher of scientific, professional and business-to-business materials)	187,273	1,554,323
Reuters Group PLC (Provider of international news and information)	73,692	729,660
Royal Bank of Scotland Group PLC (Operator of holding company for financial services activities)	113,044	2,752,168
Scottish & Southern Energy PLC (Operator of electric power utility)	114,188	1,014,242
Securicor PLC (Operator of securities services)	359,832	615,643

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Vodafone Group PLC (Provider of mobile telecommunication services)	1,207,647	3,160,821
		26,128,551
Total Common Stocks (Cost $122,411,228)		**116,174,253**

	Principal Amount ($)	Value ($)
Repurchase Agreements 3.6%		
Salomon Smith Barney, 1.75% to be repurchased at $4,340,422 on 1/2/2002 (b) (Cost $4,340,000)	4,340,000	4,340,000
Total Investment Portfolio — 100.0% (Cost $126,751,228) (a)		**120,514,253**

At December 31, 2001, the Scudder International Research Portfolio had the following industry diversification:

Industry	Value	Percent
Financial	$ 27,375,495	22.7%
Communications	13,925,978	11.6%
Manufacturing	11,169,505	9.3%
Energy	10,068,168	8.4%
Technology	9,940,183	8.2%
Health	8,721,723	7.2%
Service Industries	8,608,040	7.1%
Consumer Staples	6,257,237	5.2%
Consumer Discretionary	5,139,454	4.3%
Transportation	4,673,979	3.9%
Utilities	4,537,308	3.8%
Durables	3,525,356	2.9%
Construction	1,594,711	1.3%
Media	637,116	0.5%
Total Common Stocks	116,174,253	96.4%
Money Market Instruments	4,340,000	3.6%
Total Investment Portfolio	**$ 120,514,253**	**100.0%**

Notes to Scudder International Research Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $128,322,217. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $7,807,964. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $6,166,294 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $13,974,258.*

(b) *Repurchase agreements are fully collateralized by U.S. Treasury and Government agency securities.*

(c) *Affiliated company (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $126,751,228)	$	120,514,253
Cash		241
Foreign currency, at value (cost $862,666)		861,773
Receivable for investments sold		601,732
Dividends receivable		95,252
Interest receivable		211
Receivable for Portfolio shares sold		44
Foreign taxes recoverable		255,747
Total assets		122,329,253
Liabilities		
Payable for Portfolio shares redeemed		1,027,498
Accrued management fee		82,510
Other accrued expenses and payables		81,214
Total liabilities		1,191,222
Net assets, at value	**$**	**121,138,031**
Net Assets		
Net assets consist of:		
Undistributed net investment income (loss)		409,963
Net unrealized appreciation (depreciation) on:		
Investments		(6,236,975)
Foreign currency related transactions		(43,498)
Accumulated net realized gain (loss)		(27,743,389)
Paid-in capital		154,751,930
Net assets, at value	**$**	**121,138,031**
Net Asset Value and redemption price per share ($121,138,031 ÷ 13,109,975 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.24**

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $344,900)	$	1,727,271
Interest		246,049
Total Income		1,973,320
Expenses:		
Management fee		1,082,916
Custodian fees		162,996
Auditing		16,733
Legal		7,934
Trustees' fees and expenses		6,641
Reports to shareholders		45,649
Other		12,643
Total expenses		1,335,512
Net investment income (loss)		**637,808**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(26,112,559)
Foreign currency related transactions		(153,867)
		(26,266,426)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(13,884,296)
Foreign currency related transactions		(39,027)
		(13,923,323)
Net gain (loss) on investment transactions		(40,189,749)
Net increase (decrease) in net assets resulting from operations	**$**	**(39,551,941)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 637,808	$ 993,084
Net realized gain (loss) on investment transactions	(26,266,426)	24,874,551
Net unrealized appreciation (depreciation) on investment transactions during the period	(13,923,323)	(69,693,561)
Net increase (decrease) in net assets resulting from operations	(39,551,941)	(43,825,926)
Distributions to shareholders from:		
Net investment income	(1,173,442)	—
Net realized gains	(23,234,143)	(32,378,429)
Portfolio share transactions:		
Proceeds from shares sold	409,942,834	469,913,549
Reinvestment of distributions	24,407,585	32,378,429
Cost of shares redeemed	(428,542,046)	(498,429,555)
Net increase (decrease) in net assets from Portfolio share transactions	5,808,373	3,862,423
Increase (decrease) in net assets	(58,151,153)	(72,341,932)
Net assets at beginning of period	179,289,184	251,631,116
Net assets at end of period (including undistributed net investment income of $409,963 and $1,130,287, respectively)	**$ 121,138,031**	**$ 179,289,184**

Other Information[a]

Shares outstanding at beginning of period	12,174,799	11,731,381
Shares sold	38,411,201	28,632,007
Shares issued to shareholders in reinvestment of distributions	2,398,827	1,768,753
Shares redeemed	(39,874,852)	(29,957,342)
Net increase (decrease) in Portfolio shares	935,176	443,418
Shares outstanding at end of period	**13,109,975**	**12,174,799**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a]	1997[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 14.73**	**$ 21.45**	**$ 17.00**	**$ 16.15**	**$ 15.64**
Income (loss) from investment operations:					
Net investment income (loss)	.05[b]	.08[b]	.07[b]	.17	.11
Net realized and unrealized gain (loss) on investment transactions	(3.46)	(3.90)	6.73	1.48	1.30
Total from investment operations	(3.41)	(3.82)	6.80	1.65	1.41
Less distributions from:					
Net investment income	(.10)	—	(.20)	(.20)	(.20)
Net realized gains on investment transactions	(1.98)	(2.90)	(2.15)	(.60)	(.70)
Total distributions	(2.08)	(2.90)	(2.35)	(.80)	(.90)
Net asset value, end of period	**$ 9.24**	**$ 14.73**	**$ 21.45**	**$ 17.00**	**$ 16.15**
Total Return (%)	(24.43)	(20.49)	45.71	10.02	9.46
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	121	179	252	213	200
Ratio of expenses (%)	.92	.84	.94	.93	.91
Ratio of net investment income (loss) (%)	.44	.47	.40	.96	.71
Portfolio turnover rate (%)	145	87	136	90	79

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *Based on average shares outstanding during the period.*

Scudder Investment Grade Bond Portfolio

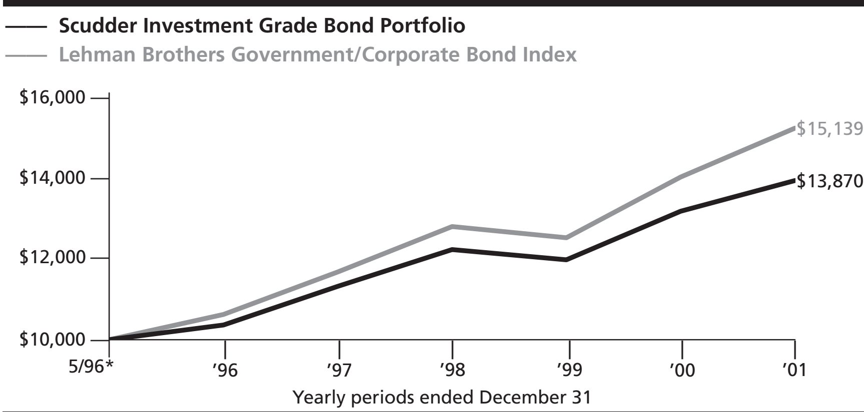
The bond market experienced unusual volatility in the fourth quarter as post-September 11 concerns and news that the Treasury would stop issuing 30-year bonds caused Treasury yields to plummet (and prices to rise) in late October. However, a growing belief that a resumption of economic growth in 2002 would cause the Federal Reserve to begin raising interest rates caused yields to soar during the final two months of the quarter. Corporate issues lost ground, but performed well in relation to Treasuries.

The portfolio's duration (interest rate sensitivity) stood at 5.3 years on December 31, which is higher than normal. This was a result of our decision to increase duration in late September. While this move initially helped performance when Treasuries rallied in late October, it ultimately proved to be a negative when yields soared in the final two months of the year. On the plus side, performance was helped by the portfolio's position in asset-backed securities and government agency notes, both of which provided attractive yields without adding to the portfolio's credit risk. In the corporate sector, the portfolio's position remains well-diversified across all industries, and is spread among a wide variety of individual securities. We believe this high level of diversification will enable us to better manage the portfolio's risk over time.

Looking ahead, we intend to keep the portfolio's duration on the long side. We will also be looking for opportunities to take advantage of any price weakness in corporates to add marginally to the portfolio's position in the sector.

Robert S. Cessine
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Investment Grade Bond Portfolio from 5/1/1996 to 12/31/2001



The Lehman Brothers Government/Corporate Bond Index is an unmanaged index composed of intermediate and long-term government and investment grade corporate debt securities.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	5-Year	Life of Portfolio	
Scudder Investment Grade Bond Portfolio	5.71%	4.40%	6.01%	5.94%	(Since 5/1/1996)

* *The Portfolio commenced operations on May 1, 1996. Index comparison begins April 30, 1996.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Investment Grade Bond Portfolio

	Principal Amount ($)	Value ($)
Corporate Bonds 33.0%		
Communications 4.5%		
AT&T Corp., 7.3%, 11/15/2011	1,000,000	1,027,570
Citizens Communications Co., 7.625%, 8/15/2008	950,000	971,498
Global Crossing Holdings Ltd., 9.5%, 11/15/2009*	375,000	41,250
McLeod U.S.A., Inc., 11.375%, 1/1/2009*	375,000	84,375
Nextel Communications, Inc.:		
9.375%, 11/15/2009	450,000	355,500
9.5%, 2/1/2011	375,000	292,500
Qwest Communications International, 7.9%, 8/15/2010	1,100,000	1,120,526
Verizon Wireless, Inc., 5.375%, 12/15/2006	1,325,000	1,318,929
WorldCom, Inc., 8.25%, 5/15/2031	1,000,000	1,054,430
		6,266,578
Consumer Discretionary 2.7%		
Federated Department Stores, Inc., 6.625%, 4/1/2011	1,025,000	1,007,216
Gap, Inc., 8.8%, 12/15/2008	195,000	170,621
Georgia-Pacific Corp., 8.125%, 5/15/2011	900,000	881,829
Park Place Entertainment, Inc., 8.5%, 11/15/2006	200,000	207,841
Toys 'R' Us, Inc., 7.625%, 8/1/2011	1,025,000	1,001,753
Wal-Mart Stores, Inc., 7.55%, 2/15/2030	350,000	404,089
		3,673,349
Consumer Staples 1.2%		
Delhaize America, Inc., 8.125%, 4/15/2011	1,550,000	1,698,490
Durables 0.8%		
International Paper Co., 8.125%, 7/8/2005	1,025,000	1,101,967
Energy 4.4%		
Burlington Resources, Inc., 6.5%, 12/1/2011	325,000	317,077
Conoco Funding Co., 6.35%, 10/15/2011	725,000	734,345
Devon Financing Corp., ULC, 6.875%, 9/30/2011	600,000	584,772
Keyspan Corp.:		
6.15%, 6/1/2006	275,000	282,081
7.625%, 11/15/2010	1,075,000	1,167,386
NiSource Finance Corp., 7.875%, 11/15/2010	1,075,000	1,111,776
Phillips Petroleum, 8.5%, 5/25/2005	350,000	385,312
Pioneer Natural Resources Co., 6.5%, 1/15/2008	400,000	369,000
Texas Eastern Transmission Corp., 7.3%, 12/1/2010	1,100,000	1,158,014
		6,109,763
Financial 9.9%		
BB&T Corp., 6.5%, 8/1/2011	300,000	303,366
Capital One Financial Corp., 6.875%, 2/1/2006	625,000	608,619
Citigroup, Inc., 7.25%, 10/1/2010	1,100,000	1,179,893
Countrywide Home Loans, Inc., 5.5%, 8/1/2006	750,000	748,118
EOP Operating LP, 7.0%, 7/15/2011	1,500,000	1,511,925
ERAC USA Finance Co., 7.35%, 6/15/2008	950,000	953,439
Firstar Bank NA, 7.125%, 12/1/2009	300,000	317,289
FleetBoston Financial Corp., 7.25%, 9/15/2005	625,000	672,681
Ford Motor Credit Co., 7.25%, 10/25/2011	1,050,000	1,022,616
General Electric Capital Corp., 6.5%, 12/10/2007	750,000	805,800
General Motors Acceptance Corp., 8.0%, 11/1/2031	1,650,000	1,669,289
Household Finance Corp., 6.5%, 1/24/2006	625,000	642,556
PNC Funding Corp., 5.75%, 8/1/2006	1,025,000	1,044,321
Prudential Insurance Co., 6.375%, 7/23/2006	1,000,000	1,031,260
Wells Fargo & Co., 7.55%, 6/21/2010	1,000,000	1,095,350
		13,606,522
Manufacturing 2.2%		
Dow Chemical Co., 7.0%, 8/15/2005	900,000	965,430
Tyco International Group SA, 6.375%, 10/15/2011	1,025,000	1,002,655
Weyerhaeuser Co., 5.95%, 11/1/2008	1,150,000	1,103,690
		3,071,775
Media 2.9%		
CSC Holdings, Inc., 7.875%, 12/15/2007	750,000	772,808
Comcast Cable Communications, 7.125%, 6/15/2013	375,000	383,411
News America Holdings, Inc., 9.25%, 2/1/2013	225,000	258,539
News America, Inc., 7.25%, 5/18/2018	225,000	216,142
Time Warner, Inc., 9.125%, 1/15/2013	1,150,000	1,360,922
Viacom, Inc., 6.625%, 5/15/2011	1,025,000	1,041,923
		4,033,745

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Utilities 4.4%		
Alabama Power Co., 7.125%, 8/15/2004	1,000,000	1,058,560
American Electric Power Co., Inc., 6.125%, 5/15/2006	975,000	963,641
Cleveland Electric Illumination Co., 7.67%, 7/1/2004	1,050,000	1,118,492
DTE Energy Co., 6.45%, 6/1/2006	500,000	512,780
Occidental Petroleum Corp., 6.4%, 4/1/2013	500,000	511,225
Pacificorp, 6.9%, 11/15/2011	825,000	825,594
Progress Energy, Inc., 6.75%, 3/1/2006	1,000,000	1,039,297
		6,029,589
Total Corporate Bonds (Cost $45,369,348)		**45,591,778**
Asset Backed 1.8%		
Automobile Receivables 0.8%		
Capital Auto Receivables Asset Trust, Series 2000-2 A3, 6.46%, 1/15/2004	325,000	331,523
Daimler Chrysler Auto Trust, Series 2000-C A3, 6.82%, 9/6/2004	425,000	440,283
Daimler Chrysler Auto Trust, Series 2000-D A3, 6.66%, 1/8/2005	350,000	362,851
		1,134,657
Credit Card Receivables 1.0%		
Citibank Credit Card Issuance Trust, Series 2000-A1, 6.9%, 10/17/2007	375,000	401,431
MBNA Master Credit Card Trust, Series 2000-I A, 6.9%, 1/15/2008	900,000	962,957
		1,364,388
Total Asset Backed (Cost $2,374,324)		**2,499,045**
Foreign Bonds — U.S.$ Denominated 3.0%		
Apache Finance Canada, 7.75%, 12/15/2029	900,000	991,170
British Sky Broadcasting PLC, 6.875%, 2/23/2009	1,000,000	959,520
Petroleum Geo-Services, 7.5%, 3/31/2007	1,000,000	946,400
Province of Ontario, 5.5%, 10/1/2008	225,000	225,695
Province of Quebec, 7.0%, 1/30/2007	900,000	970,002
Total Foreign Bonds — U.S.$ Denominated (Cost $4,018,187)		**4,092,787**
U.S. Government & Agencies 44.7%		
Federal National Mortgage Association:		
5.25%, 6/15/2006	650,000	661,882
6.0%, 1/1/2032	1,225,000	1,199,483
6.5% with various maturities until 11/1/2031	6,343,628	6,351,685
7.0% with various maturities until 1/1/2032	6,795,085	6,990,796
7.5% with various maturities until 8/1/2031	2,706,892	2,807,810
8.0%, 9/1/2015	370,987	388,163
Government National Mortgage Association:		
6.5% with various maturities until 11/20/2031	2,063,073	2,069,923
7.0% with various maturities until 12/15/2028	1,839,296	1,882,980
7.5%, 12/20/2030	860,559	888,165
U.S. Treasury Bond:		
5.0%, 8/15/2011	10,335,000	10,302,651
5.25%, 2/15/2029	3,750,000	3,510,938
5.375%, 2/15/2031	9,550,000	9,411,239
5.625%, 11/30/2002	550,000	567,963
U.S. Treasury Note:		
3.5%, 11/15/2006	775,000	746,906
4.625%, 2/28/2003	1,000,000	1,026,870
4.625%, 5/15/2006	5,275,000	5,346,687
5.75%, 11/15/2005	1,000,000	1,056,090
6.25%, 2/15/2003	1,500,000	1,566,330
6.625%, 5/31/2002	5,000,000	5,097,650
Total U.S. Government & Agencies (Cost $62,877,232)		**61,874,211**
Cash Equivalents 17.5%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $24,214,468)	24,214,468	**24,214,468**
Total Investment Portfolio — 100.0% (Cost $138,853,559) (a)		**138,272,289**

Notes to Scudder Investment Grade Bond Portfolio of Investments

* *Non-income producing security. In the case of a bond, generally denotes the issuer has defaulted on payment of principal or interest or has filed for bankruptcy.*

(a) *The cost for federal income tax purposes was $139,023,292. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $751,003. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,915,406 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,666,409.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven-day yield at December 31, 2001.*

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and the Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $138,853,559)	$	138,272,289
Cash		10,000
Interest receivable		1,623,398
Receivable for Portfolio shares sold		305,554
Total assets		140,211,241
Liabilities		
Payable for investments purchased		6,368,216
Payable for Portfolio shares redeemed		18,049
Accrued management fee		67,698
Other accrued expenses and payables		23,718
Total liabilities		6,477,681
Net assets, at value	**$**	**133,733,560**
Net Assets		
Net assets consist of:		
Undistributed net investment income		4,912,031
Net unrealized appreciation (depreciation) on investments		(581,270)
Accumulated net realized gain (loss)		(2,001,576)
Paid-in capital		131,404,375
Net assets, at value	**$**	**133,733,560**
Net Asset Value and redemption price per share ($133,733,560 ÷ 11,645,925 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.48**

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Interest	$	6,293,048
Expenses:		
Management fee		619,125
Custodian fees		9,738
Auditing		14,407
Legal		3,099
Trustees' fees and expenses		2,978
Reports to shareholders		10,900
Other		3,865
Total expenses, before expense reductions		664,112
Expense reductions		(1,331)
Total expenses, after expense reductions		662,781
Net investment income		**5,630,267**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		2,204,937
Futures		(403,414)
		1,801,523
Net unrealized appreciation (depreciation) during the period on investments		(2,467,539)
Net gain (loss) on investment transactions		(666,016)
Net increase (decrease) in net assets resulting from operations	**$**	**4,964,251**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income	$ 5,630,267	$ 4,499,099
Net realized gain (loss) on investment transactions	1,801,523	(1,826,804)
Net unrealized appreciation (depreciation) on investment transactions during the period	(2,467,539)	4,069,145
Net increase (decrease) in net assets resulting from operations	4,964,251	6,741,440
Distributions to shareholders from:		
Net investment income	(4,623,273)	(3,737,486)
Portfolio share transactions:		
Proceeds from shares sold	82,813,663	14,249,355
Reinvestment of distributions	4,623,273	3,737,486
Cost of shares redeemed	(31,584,271)	(14,428,513)
Net increase (decrease) in net assets from Portfolio share transactions	55,852,665	3,558,328
Increase (decrease) in net assets	56,193,643	6,562,282
Net assets at beginning of period	77,539,917	70,977,635
Net assets at end of period (including undistributed net investment income of $4,912,031 and $3,982,660, respectively)	**$ 133,733,560**	**$ 77,539,917**

Other Information[a]

Shares outstanding at beginning of period	6,770,947	6,447,508
Shares sold	7,217,553	1,291,758
Shares issued to shareholders in reinvestment of distributions	414,684	352,836
Shares redeemed	(2,757,259)	(1,321,155)
Net increase (decrease) in Portfolio shares	4,874,978	323,439
Shares outstanding at end of period	**11,645,925**	**6,770,947**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001[c]	2000[a]	1999[a]	1998[a]	1997[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 11.45**	**$ 11.00**	**$ 11.65**	**$ 11.18**	**$ 10.36**
Income (loss) from investment operations:					
Net investment income	.62[b]	.69[b]	.60[b]	.32	.66
Net realized and unrealized gain (loss) on investment transactions	.01[d]	.36	(.85)	.55	.26
Total from investment operations	.63	1.05	(.25)	.87	.92
Less distributions from:					
Net investment income	(.60)	(.60)	(.30)	(.30)	(.10)
Net realized gains on investment transactions	—	—	(.10)	(.10)	—
Total distributions	(.60)	(.60)	(.40)	(.40)	(.10)
Net asset value, end of period	**$ 11.48**	**$ 11.45**	**$ 11.00**	**$ 11.65**	**$ 11.18**
Total Return (%)	5.71	9.90	(2.06)	7.93	9.04
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	134	78	71	52	16
Ratio of expenses before expense reductions (%)	.64	.68	.65	.67	.80
Ratio of expenses after expense reductions (%)	.64	.67	.65	.67	.80
Ratio of net investment income (loss) (%)	5.46	6.36	5.42	5.50	6.23
Portfolio turnover rate (%)	176	311	131	130	311

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *Based on average shares outstanding during the period.*

[c] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by $.01, increase net realized and unrealized gains and losses per share by $.01 and decrease the ratio of net investment income to average net assets from 5.54% to 5.46%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

[d] *The amount of net realized and unrealized gain shown for a share outstanding for the period ending December 31, 2001 does not correspond with the aggregate net loss on investments for the period due to the timing of sales and repurchases of Portfolio shares in relation to fluctuating market values of the investments of the Portfolio.*

Scudder Money Market Portfolio

On December 11, the Fed reduced interest rates one quarter of a percentage point, dropping the fed funds rate to 1.75 percent, its lowest level in 40 years. Coinciding with the Fed's unprecedented series of actions, interest rates for money market securities declined dramatically during 2001. It's likely that money market interest rates will remain at or near current levels until late in the second quarter of 2002.

In managing the portfolio, we focus on maintaining average maturity within a target range (currently 40 to 60 days) and in selecting securities that will benefit the portfolio given current interest rate trends. As a result, we generally do not make large asset allocation shifts within the portfolio. We attempt to maintain exposure to a broad selection of securities, including high quality commercial paper, variable- and floating-rate securities, U.S. government agency obligations, certificates of deposit and repurchase agreements. The majority of the portfolio remained invested in asset-backed commercial paper over the period because of its attractive value and high relative yields.

Over the coming months we will periodically reassess our outlook on the economy in light of actions by the Federal Reserve and adjust our strategy accordingly. Going forward, we will look for attractive opportunities as they arise, seek to maintain a high yield and be vigilant in terms of the credit quality of the portfolio as we position the Money Market Portfolio for current income, and stability and liquidity of capital.

Frank J. Rachwalski, Jr.
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

An investment in the Scudder Money Market Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Portfolio seeks to preserve the value of your investment at $1.00 per unit, it is possible to lose money by investing in the Portfolio.

Scudder Money Market Portfolio

	Principal Amount ($)	Value ($)
Commercial Paper 75.7%		
Abbey National North America Corp., 2.02%*, 2/4/2002	10,000,000	9,980,922
American Honda Finance Corp., 2.13%*, 8/23/2002	7,000,000	6,999,551
Amsterdam Funding Corp., 1.85%*, 3/20/2002	10,000,000	9,959,917
Asset Portfolio Funding Corp., 2.5%*, 1/18/2002	11,715,000	11,701,170
Associates Corp. of North America, 1.91%, 6/15/2002	5,000,000	5,000,000
Atlantis One Funding Corp., 2.15%*, 2/13/2002	10,000,000	9,974,319
Bavaria Universal Funding Corp., 3.43%*, 2/25/2002	8,621,000	8,575,824
Black Forest Funding Corp., 2.1%*, 1/11/2002	10,000,000	9,994,167
Caterpillar Financial Services Corp., 2.531%, 7/9/2002	5,000,000	5,000,000
Clipper Receivables Corp., 1.84%*, 1/14/2002	10,000,000	9,993,356
Commerzbank Europe (Ireland), 2.1%*, 2/19/2002	10,000,000	9,971,417
Corporate Receivables Corp., 2.3%*, 1/22/2002	10,000,000	9,986,583
CXC, Inc., 2.3%*, 1/25/2002	10,000,000	9,984,667
Delaware Funding Corp., 1.84%*, 1/8/2002	10,000,000	9,996,422
Eureka Securitization, Inc., 1.75%*, 2/14/2002	10,000,000	9,978,611
Fairway Finance Corp., 1.88%*, 6/10/2002	13,903,000	13,786,833
Falcon Asset Securitization Corp., 1.93%*, 1/23/2002	10,000,000	9,988,206
FCAR Owner Trust I, 3.33%*, 3/6/2002	10,000,000	9,940,800
Federal Home Loan Bank Notes, 2.25%, 10/30/2002	5,000,000	5,000,000
Four Winds Funding Corp., 2.31%*, 1/15/2002	10,000,000	9,991,017
Galaxy Funding, Inc., 2.54%*, 1/25/2002	10,000,000	9,983,067
Giro Funding US Corp., 2.35%*, 1/15/2002	10,000,000	9,990,861
Giro Multi-Funding Corp., 2.35%*, 1/22/2002	10,000,000	9,986,292
Goldman Sachs Group, Inc., 1.93%, 4/19/2002	10,000,000	10,000,000
Household Finance Corp., 2.01%*, 12/20/2002	5,000,000	4,997,611
Household Finance Corp., 2.0%, 9/26/2002	5,000,000	5,000,000
Jupiter Securitization Corp., 2.18%*, 1/31/2002	10,616,000	10,596,714
K2 (USA) LLC, 3.68%, 2/12/2002	10,000,000	9,957,067
Montauk Funding Corp., 1.88%*, 1/24/2002	10,000,000	9,987,989
Moriarty LLC, 3.39%*, 2/20/2002	10,000,000	9,952,917
Nordea North America, Inc., 2.08%*, 2/26/2002	10,000,000	9,967,644
Northern Rock PLC, 1.76%*, 3/15/2002	10,000,000	9,964,311
Old Line Funding Corp., 2.11%*, 1/16/2002	10,000,000	9,991,208
Park Avenue Receivables Corp., 2.09%*, 1/23/2002	10,000,000	9,987,228
Pennine Funding LLC, 2.6%*, 3/4/2002	15,000,000	14,932,833
Preferred Receivable Funding Corp., 2.06%*, 1/10/2002	8,825,000	8,820,455
Quincy Capital Corp., 2.1%*, 1/9/2002	10,000,000	9,995,333
Receivables Capital Corp., 2.09%*, 1/9/2002	10,000,000	9,995,356
SBC Communications, Inc., 2.03%*, 3/28/2002	4,000,000	3,980,602
SBC Communications, Inc., 2.06%*, 3/7/2002	10,000,000	9,962,806
Sheffield Receivables Corp., 2.54%*, 1/10/2002	10,000,000	9,993,650
Sigma Finance, Inc., 2.08%*, 7/11/2002	10,000,000	9,889,644
Superior Funding Capital Corp., 1.8%*, 3/22/2002	10,000,000	9,960,000
Surrey Funding Corp., 2.1%*, 1/8/2002	10,000,000	9,995,917
Swedbank, Inc., 2.25%*, 4/16/2002	10,000,000	9,934,375
Swedish National Housing Finance Corp., 1.93%*, 2/1/2002	10,000,000	9,983,381
Thunder Bay Funding, Inc., 2.11%*, 1/24/2002	10,000,000	9,986,519
Variable Funding Corp., 2.58%*, 2/21/2002	10,000,000	9,963,450
Verizon Network Funding Corp., 2.36%*, 1/10/2002	10,000,000	9,994,100
WCP Funding, Inc., 1.85%*, 1/7/2002	10,000,000	9,996,915
Total Commercial Paper (Cost $473,552,027)		**473,552,027**

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Certificates Of Deposit 3.2%		
American Express Centurion Bank, 2.081%, 11/6/2002	10,000,000	10,000,000
Comerica Bank, 1.8%, 10/28/2002	10,000,000	10,000,000
Total Certificates of Deposit (Cost $20,000,000)		**20,000,000**

	Principal Amount ($)	Value ($)
Repurchase Agreements 21.1%		
J.P. Morgan Chase & Co., 1.82%, to be repurchased at $90,009,100 on 1/2/2002**	90,000,000	90,000,000
State Street Bank and Trust Company, 1.62%, to be repurchased at $42,174,795 on 1/2/2002**	42,171,000	42,171,000
Total Repurchase Agreements (Cost $132,171,000)		**132,171,000**
Total Investment Portfolio — 100.0% (Cost $625,723,027) (a)		**625,723,027**

Notes to Scudder Money Market Portfolio of Investments

* *Annualized yield at time of purchase; not a coupon rate.*

** *Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.*

(a) *The cost for federal income tax purposes was $625,723,027.*

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $625,723,027)	$	625,723,027
Cash		975
Interest receivable		137,868
Receivable for Portfolio shares sold		45,608,572
Total assets		671,470,442

Liabilities

Dividends payable		361,451
Payable for Portfolio shares redeemed		112
Accrued management fee		272,618
Other accrued expenses and payables		136,670
Total liabilities		770,851
Net assets, at value	**$**	**670,699,591**

Net Assets

Net assets consist of:		
Accumulated net realized gain (loss)		3,191
Paid-in capital		670,696,400
Net assets, at value	**$**	**670,699,591**
Net Asset Value and redemption price per share ($670,699,591 ÷ 670,711,571 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**1.00**

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:		
Interest	$	18,198,739
Expenses:		
Management fee		2,318,839
Custodian fees		16,786
Auditing		63,339
Legal		22,903
Trustees' fees and expenses		21,371
Reports to shareholders		38,312
Registration fees		26,502
Other		20,138
Total expenses, before expense reductions		2,528,190
Expense reductions		(1,848)
Total expenses, after expense reductions		2,526,342
Net investment income		**15,672,397**
Net realized gain (loss) from investments		9,357
Net increase (decrease) in net assets resulting from operations	**$**	**15,681,754**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income	$ 15,672,397	$ 14,182,564
Net realized gain (loss) on investment transactions	9,357	—
Net increase (decrease) in net assets resulting from operations	15,681,754	14,182,564
Distributions to shareholders from:		
Net investment income	(15,691,810)	(14,182,564)
Portfolio share transactions:		
Proceeds from shares sold	4,484,819,119	1,379,647,587
Reinvestment of distributions	16,051,939	14,051,715
Cost of shares redeemed	(4,108,987,621)	(1,345,972,420)
Net increase (decrease) in net assets from Portfolio share transactions	391,883,437	47,726,882
Increase (decrease) in net assets	391,873,381	47,726,882
Net assets at beginning of period	278,826,210	231,099,328
Net assets at end of period	**$ 670,699,591**	**$ 278,826,210**

Other Information

Shares outstanding at beginning of period	278,826,210	231,099,328
Shares sold	4,484,820,688	1,379,647,587
Shares issued to shareholders in reinvestment of distributions	16,051,939	14,051,715
Shares redeemed	(4,108,987,266)	(1,345,972,420)
Net increase (decrease) in Portfolio shares	391,885,361	47,726,882
Shares outstanding at end of period	**670,711,571**	**278,826,210**

Financial Highlights

Years Ended December 31,	2001	2000	1999	1998	1997
Selected Per Share Data					
Net asset value, beginning of period	**$ 1.000**	**$ 1.000**	**$ 1.000**	**$ 1.000**	**$ 1.000**
Income from investment operations:					
Net investment income	.037	.059	.050	.050	.050
Total from investment operations	.037	.059	.050	.050	.050
Less distributions from:					
Net investment income	(.037)	(.059)	(.050)	(.050)	(.050)
Total distributions	(.037)	(.059)	(.050)	(.050)	(.050)
Net asset value, end of period	**$ 1.000**	**$ 1.000**	**$ 1.000**	**$ 1.000**	**$ 1.000**
Total Return (%)	3.75	6.10	4.84	5.15	5.25
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	671	279	231	152	100
Ratio of expenses (%)	.55	.58	.54	.54	.55
Ratio of net investment income (loss) (%)	3.39	5.94	4.77	5.02	5.14

The accompanying notes are an integral part of the financial statements.

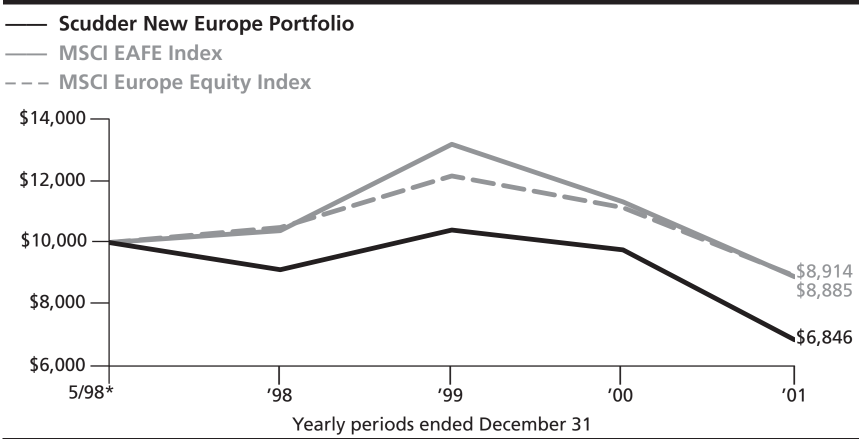
Scudder New Europe Portfolio

Markets around the globe declined for the bulk of the period as investors reacted to the deteriorating economic environment. Corporate profit expectations were ratcheted down, buffeted by the headwinds of falling investment spending and rising oil prices. Although European markets tracked the U.S. markets, the underlying fundamentals in Europe looked more solid. Europe was earlier in its economic cycle than the United States and was less exposed to market and economic excesses. Europe had been less burdened by the imbalances that characterize the U.S. financial system, such as the high levels of debt among consumers and corporations. Even so, by the second quarter, European companies began to preannounce profit shortfalls. Then, the shocking terrorist attacks on the United States shattered markets. European markets fell sharply in the days following the attack. However, the sharp contraction in equity prices and the aggressive and apparently coordinated interest rate cuts by the Federal Reserve, the Bank of England and even the reluctant European Central Bank served to establish a base for equity prices. Markets staged a recovery toward the end of the period.

For the 12-month period ended December 31, 2001, MSCI Europe Equity Index declined 19.90 percent, while Scudder New Europe Portfolio fell 29.86 percent. The portfolio suffered from its growth bias during this period when typical growth industries such as technology, media and telecom performed poorly overall. Several of our positions in commercial services and software also hurt performance due to their sensitivity to corporate spending pullbacks. As we move into 2002, we continue to expect a market punctuated by volatility and sector rotation, but overall we see several supporting factors, including relatively attractive valuations, the successful introduction of the euro, increasing confidence in the economic outlook and the ongoing restructuring of European companies as they adapt to their transforming landscape.

Carol L. Franklin
Lead Portfolio Manager, Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder New Europe Portfolio from 5/5/1998 to 12/31/2001



MSCI EAFE Index is a generally accepted benchmark for performance of major overseas markets. MSCI Europe Equity Index is an unmanaged index that is generally representative of the equity securities of the European markets. Beginning with the next semiannual report, the MSCI Europe Equity Index, which better accommodates the Portfolio's objective of seeking long-term capital appreciation through investment in European common stocks and other equities, will be shown instead of the MSCI EAFE Index.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	Life of Portfolio	
Scudder New Europe Portfolio	–29.86%	–9.11%	–9.84%	(Since 5/5/1998)

* *The Portfolio commenced operations on May 5, 1998. Index comparisons begin April 30, 1998.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Effective 5/1/2000 the Portfolio had name and investment objective changes: Kemper International Growth and Income Portfolio name was changed to Kemper New Europe Portfolio.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder New Europe Portfolio

	Shares	Value ($)
Common Stocks 98.4%		
Belgium 0.5%		
Dexia* (Provider of municipal lending services)	9,320	83
Interbrew (Brewer of beers)	4,300	117,865
		117,948
Denmark 0.4%		
Novo Nordisk AS* (Developer of diabetes care products)	2,300	94,094
Finland 3.5%		
Nokia Oyj (Manufacturer of telecommunication systems and equipment)	21,300	549,858
Stora Enso Oyj "R" (Manufacturer of paper and paper products)	26,400	338,404
		888,262
France 24.3%		
Altran Technologies SA (Provider of technology consulting services)	5,171	233,929
Aventis SA (Manufacturer of life science products)	9,852	700,370
Banque Nationale de Paris SA (Provider of banking services)	5,983	535,991
Bouygues SA (Developer of large public projects, real estate, offshore oil platforms and energy network)	3,595	117,929
Compagnie de Saint-Gobain (Manufacturer of glass)	1,076	162,575
Credit Lyonnais SA (Provider of diversified banking services)	8,357	279,354
Etablissements Economiques du Casino Guichard-Perrachon SA (Operator of supermarkets and convenience stores)	1,587	122,580
France Telecom SA (Provider of telecommunication services)	7,845	313,987
Galeries Lafayette (Operator of department stores and supermarket chains)	669	91,181
Groupe Danone (Producer of food products)	3,068	374,670
Infogrames Entertainment SA* (Developer of interactive television and computer games)	5,492	66,580
Lafarge SA (Supplier of various building materials)	6,273	586,575
Orange SA* (Provider of cellular telephone services)	33,292	302,107
PSA Peugeot Citroen (Manufacturer of automobiles and commercial vehicles)	6,102	259,728
Sanofi-Synthelabo SA (Manufacturer of health care products and medical and surgical equipment)	7,754	579,218
Societe Generale "A" (Provider of banking services)	7,389	413,965
Suez SA* (Builder of water treatment plants)	9,903	300,136
Total Fina Elf SA "B" (Explorer, refiner, and transporter of oil and natural gas)	3,245	463,972
Vinci SA (Builder of roads, offerer of engineering and construction services)	3,809	223,583
		6,128,430
Germany 18.6%		
Allianz AG (Provider of multiline insurance services)	1,292	305,772
Atlanta AG (Developer and manufacturer of pharmaceutical, diagnostic and chemical products)	5,931	295,537
BASF AG (Explorer and producer of oil, natural gas and chemicals)	6,965	259,830
Deutsche Bank AG (Registered) (Provider of financial services) (b)	2,469	174,529
Deutsche Boerse AG (Provider of financial services)	4,094	162,398
Deutsche Telekom AG (Registered) (Provider of telecommunication services)	13,929	240,876
E.On AG (Distributor of oil and chemicals)	5,427	282,517
KarstadtQuelle AG (Operator of department stores)	7,475	292,515
Metro AG (Operator of building, clothing, electronic and food stores)	11,466	403,721
Muenchener Rueckversicherungs-Gesellschaft AG (Registered) (Provider of financial services)	1,873	509,226
SAP AG (Manufacturer of computer software)	2,495	327,401
Schering AG (Producer of pharmaceuticals and industrial chemicals)	10,417	558,071

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Siemens AG (Manufacturer of electrical and electronic equipment)	6,800	453,705
Wella AG (Manufacturer of a variety of personal care products)	8,854	426,193
		4,692,291
Italy 4.8%		
Assicurazioni Generali SpA (Provider of insurance and financial services)	12,300	342,084
ENI SpA (Provider of oilfield and engineering services)	23,750	298,084
Gruppo Coin SpA* (Operator of department stores)	3,740	30,505
Mediobanca SpA (Provider of medium- and long-term business loans and credit)	10,600	118,866
Saipem SpA (Provider of offshore and onshore drilling services)	36,300	177,968
Telecom Italia Mobile SpA (Provider of cellular telecommunication services)	45,400	253,744
		1,221,251
Netherlands 6.6%		
Akzo Nobel NV (Producer and marketer of health care products, coatings, chemicals and fibers)	7,400	330,807
ASM Lithography Holding NV* (Developer of photolithography projection systems)	10,600	184,441
Getronics NV (Provider of computer consulting and solution design services)	60,600	196,629
Royal Dutch Petroleum Co. (Provider of petroleum products)	5,360	271,863
STMicroelectronics NV (Manufacturer of semiconductor integrated circuits)	9,487	304,864
Unilever NV (Manufacturer of packaged food and personal care products)	4,500	264,144
Vedior NV (Provider of temporary employment services)	10,100	121,272
		1,674,020
Portugal 0.7%		
Portugal Telecom SGPS SA* (Provider of telecommunication services)	23,400	182,514
Spain 5.6%		
Amadeus Global Travel Distribution SA* (Operator of a travel reservation system)	23,200	134,009
Banco Popular Espanol SA (Provider of retail banking services)	16,610	546,051
Grupo Dragados SA (Provider of a range of civil and industrial services and infrastructure management)	23,180	310,560
Inditex* (Manufacturer and retailer of apparel)	11,100	211,842
Union Electrica Fenosa SA (Provider of electric utilities)	13,146	213,039
		1,415,501
Sweden 1.1%		
Ericsson LM "B" (Producer of advanced systems and products for wired and mobile communications)	49,800	271,636
Switzerland 5.5%		
Credit Suisse Group* (Provider of various financial services, including investment and insurance services)	6,759	288,693
Nestle SA (Registered) (Producer and seller of food products)	1,865	398,293
Roche Holding AG (Developer of pharmaceutical and chemical products)	2,703	193,235
Swiss Re (Provider of reinsurance, insurance and banking services)	2,390	240,788
UBS AG* (Provider of commercial and investment banking services)	5,293	267,588
		1,388,597
United Kingdom 26.8%		
Aegis Group PLC (Provider of independent media services)	196,598	266,228
Anglo American PLC (Producer of platinum)	10,101	153,111
ARM Holdings PLC* (Designer of RISC microprocessors and related technology)	47,640	249,033
BAE Systems PLC (Producer of military aircraft)	36,196	163,122
Barclays PLC (Provider of financial services)	16,850	558,178
BHP Billiton PLC (Operator of a company that provides mineral exploration and production)	26,395	134,134
BOC Group PLC (Producer of chemical products)	16,890	260,691
BP PLC (Provider of petroleum products)	44,607	346,845
Friends Provident PLC* (Manager of life assurance business)	15,725	45,794

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
GlaxoSmithKline PLC (Developer of vaccines, health-related consumer products, prescriptions and OTC medicines)	21,915	549,817
J Sainsbury PLC (Distributor of food)	67,103	357,614
Misys PLC (Provider of computer support and data services)	58,256	275,686
Pearson PLC (Operator of a diversified media and entertainment holding company)	16,385	188,718
Powergen PLC (Provider of electric utilities)	537	5,904
Reed International PLC (Publisher of scientific, professional and business-to-business materials)	55,274	458,762
Reuters Group PLC (Provider of international news and information)	27,846	275,717
Rio Tinto PLC (Operator of a mining, manufacturing and development company)	19,112	366,229
Royal & Sun Alliance Insurance Group PLC (Operator of a multiline insurance holding company)	735	4,225
Royal Bank of Scotland Group PLC (Provider of a wide range of financial services)	18,943	461,186
Taylor Nelson Sofres PLC (Provider of market research services)	98,187	276,647
Tesco PLC (Operator of a food store)	113,240	410,573
Vodafone Group PLC (Provider of mobile telecommunication services)	371,733	972,952
		6,781,166
Total Common Stocks (Cost $23,953,607)		**24,855,710**

	Principal Amount ($)	Value ($)
Repurchase Agreements 1.6%		
Salomon Smith Barney, 1.75% to be repurchased at $400,039 on 1/2/2002** (Cost $400,000)	400,000	400,000
Total Investment Portfolio — 100.0% (Cost $24,353,607) (a)		**25,255,710**

At December 31, 2001, the Scudder New Europe Portfolio had the following industry diversification:

Industry		Value	Percent
Financial	$	5,254,771	20.8%
Manufacturing		3,249,441	12.9%
Communications		3,087,674	12.2%
Consumer Staples		2,276,893	9.0%
Health		1,711,901	6.8%
Service Industries		1,674,312	6.6%
Energy		1,558,732	6.2%
Consumer Discretionary		1,387,378	5.5%
Technology		1,378,436	5.4%
Other		3,276,172	13.0%
Total		**24,855,710**	**98.4%**
Money Market Instruments		400,000	1.6%
Total Investment Portfolio	**$**	**25,255,710**	**100.0%**

Notes to Scudder New Europe Portfolio of Investments

* *Non-income producing security.*

** *Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.*

(a) *The cost for federal income tax purposes was $25,522,318. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $266,608. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $780,043 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,046,651.*

(b) *Affiliated company (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $24,353,607)	$	25,255,710
Cash		1,136,224
Receivable for investments sold		15,514
Dividends receivable		12,988
Interest receivable		19
Receivable for Portfolio shares sold		3,660
Foreign taxes recoverable		22,984
Due from Advisor		13,788
Total assets		26,460,887
Liabilities		
Payable for investments purchased		2,782,954
Payable for Portfolio shares redeemed		450,143
Other accrued expenses and payables		56,161
Total liabilities		3,289,258
Net assets, at value	**$**	**23,171,629**
Net Assets		
Net assets consist of:		
Net unrealized appreciation (depreciation) on:		
Investments		902,103
Foreign currency related transactions		(6,454)
Accumulated net realized gain (loss)		(6,106,102)
Paid-in capital		28,382,082
Net assets, at value	**$**	**23,171,629**
Net Asset Value and redemption price per share ($23,171,629 ÷ 3,512,413 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**6.60**

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $34,436)	$	242,316
Interest		52,572
Total Income		294,888
Expenses:		
Management fee		181,386
Custodian and accounting fees		250,951
Auditing		3,545
Legal		2,055
Trustee's fees and expenses		389
Reports to shareholders		7,396
Other		3,206
Total expenses, before expense reductions		448,928
Expense reductions		(245,585)
Total expenses, after expense reductions		203,343
Net investment income (loss)		**91,545**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(5,827,532)
Foreign currency related transactions		(58,631)
		(5,886,163)
Net unrealized appreciation (depreciation) during the period on:		
Investments		707,927
Foreign currency related transactions		(6,702)
		701,225
Net gain (loss) on investment transactions		**(5,184,938)**
Net increase (decrease) in net assets resulting from operations	**$**	**(5,093,393)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 91,545	$ 307,610
Net realized gain (loss) on investment transactions	(5,886,163)	(257,562)
Net unrealized appreciation (depreciation) on investment transactions during the period	701,225	(492,555)
Net increase (decrease) in net assets resulting from operations	(5,093,393)	(442,507)
Distributions to shareholders from:		
Net investment income	(345,868)	(23,685)
Net realized gains	—	(23,647)
Portfolio share transactions:		
Proceeds from shares sold	148,664,327	15,004,778
Reinvestment of distributions	345,868	47,332
Cost of shares redeemed	(133,885,378)	(7,752,735)
Net increase (decrease) in net assets from Portfolio share transactions	15,124,817	7,299,375
Increase (decrease) in net assets	9,685,556	6,809,536
Net assets at beginning of period	13,486,073	6,676,537
Net assets at end of period (including undistributed net investment income of $293,182 at December 31, 2000)	**$ 23,171,629**	**$ 13,486,073**

Other Information[a]

Shares outstanding at beginning of period	1,397,393	645,384
Shares sold	20,719,356	1,534,703
Shares issued to shareholders in reinvestment of distributions	44,351	4,572
Shares redeemed	(18,648,687)	(787,266)
Net increase (decrease) in Portfolio shares	2,115,020	752,009
Shares outstanding at end of period	**3,512,413**	**1,397,393**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a,b]
Selected Per Share Data				
Net asset value, beginning of period	**$ 9.65**	**$ 10.35**	**$ 9.12**	**$ 10.00**
Income (loss) from investment operations:				
Net investment income	.04[c]	.31[c]	.13[c]	.03
Net realized and unrealized gain (loss) on investment transactions	(2.89)	(.95)	1.15	(.91)
Total from investment operations	(2.85)	(.64)	1.28	(.88)
Less distributions from:				
Net investment income	(.20)	(.03)	(.05)	—
Net realized gains on investment transactions	—	(.03)	—	—
Total distributions	(.20)	(.06)	(.05)	—
Net asset value, end of period	**$ 6.60**	**$ 9.65**	**$ 10.35**	**$ 9.12**
Total Return (%)[d]	(29.86)	(6.17)	14.09	(8.80)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	23	13	7	3
Ratio of expenses before expense reductions (%)	2.47	2.65	4.30	19.55*
Ratio of expenses after expense reductions (%)	1.12	1.14	1.10	1.13*
Ratio of net investment income (loss) (%)	.51	3.14	1.44	1.13*
Portfolio turnover rate (%)	237	105	146	100*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *For the period from May 5, 1998 (commencement of operations) to December 31, 1998.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

Scudder Small Cap Growth Portfolio

Technology stock declines weighed heavily on Scudder Small Cap Growth Portfolio's results in 2001. The portfolio fell 28.91 percent, much more than the Russell 2000 Growth Index, an unmanaged group of rapidly growing small-company stocks, which declined 9.23 percent for the year. We entered the year with a higher concentration in small technology stocks than the index, and reduced this in the spring and early summer to an underweight position.

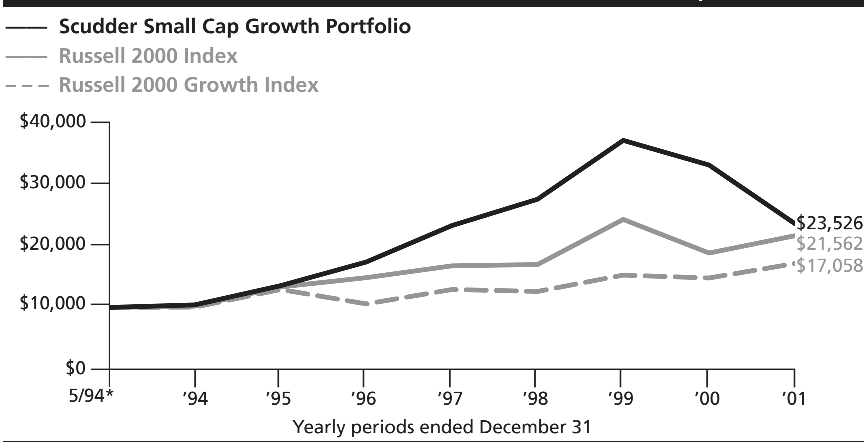
In 2001, technology companies grappled with three problems: a huge inventory of unsold goods, large write-offs of sour investments and weak prospects for product demand. Steep declines in corporate capital spending plans reduced demand for software, telecom and semiconductor products, prompting analysts to slash earnings estimates for many stocks that fit our investment discipline. The result was that the short-term corporate profit picture for most technology companies grew grim amid a global economic slowdown. Technology stocks rebounded in the fourth quarter, even as securities analysts further slashed estimates, because earnings targets were set at more realistic levels. Currently, there are early signs of a broader economic recovery, and this may reenergize the technology-investing climate. Investors are beginning to conclude that the worst of the U.S. recession is over.

For 2001 as a whole, energy stocks were another area of weakness. We brought the portfolio's weighting down from 2000 levels amid a sharp decline in this sector's stock prices. Natural gas and oil prices peaked in early winter 2001 amid California's energy crisis and began to fall sharply as spring approached and the global economy weakened, reducing consumer and industrial demand for fuel.

For the year ahead, we expect to maintain a strong position in health care stocks. We believe small-cap pharmaceutical firms could do especially well with medicines tailored to a person's specific biochemistry and genetic makeup. Another area that we believe has the potential to do well in 2002 is financial stocks. Interest rates reached 40-year lows during the fourth quarter of 2001, boosting earnings prospects for financial stocks. Our focus within this sector remains property and casualty insurance companies, who appear well-positioned to benefit from an improved pricing environment.

J.C. Cabrera
Lead Portfolio Manager, Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Small Cap Growth Portfolio from 5/2/1994 to 12/31/2001



The Russell 2000 Index is a capitalization-weighted price-only index which is composed of 2,000 of the smallest stocks (on the basis of capitalization) in the Russell 3000 Index. The largest company in the index has an approximate market capitalization of $591 million. The Russell 2000 Growth Index is an unmanaged index (with no defined investment objective) of those securities in the Russell 2000 Growth Index with a greater-than-average growth orientation. It includes reinvestment of dividends and is compiled by the Frank Russell Company.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	5-Year	Life of Portfolio	
Scudder Small Cap Growth Portfolio	–28.91%	–5.07%	6.33%	11.81%	(Since 5/2/1994)

* *The Portfolio commenced operations on May 2, 1994. Index comparisons begin April 30, 1994.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Small Cap Growth Portfolio

	Shares	Value ($)
Common Stocks 94.6%		
Communications 1.6%		
Telephone / Communications		
Entercom Communications Corp.*	51,600	2,580,000
Remec, Inc.*	119,600	1,194,804
		3,774,804
Consumer Discretionary 7.9%		
Apparel & Shoes 5.6%		
Abercrombie & Fitch Co. "A"*	90,500	2,400,965
American Eagle Outfitters, Inc.*	105,200	2,753,084
Delia's Corp. "A"*	221,200	1,371,440
Foot Locker, Inc.*	116,700	1,826,355
Reebok International Ltd.*	84,300	2,233,950
Talbots, Inc.	31,300	1,134,625
Tommy Hilfiger Corp.*	92,500	1,271,875
		12,992,294
Department & Chain Stores 0.9%		
Men's Wearhouse, Inc.*	99,200	2,048,480
Restaurants 0.0%		
New World Restaurant Group, Inc.*	153	41
Specialty Retail 1.4%		
Pier 1 Imports, Inc.	184,100	3,192,294
Consumer Staples 1.9%		
Food & Beverage		
Constellation Brands, Inc. "A"*	51,700	2,215,345
Performance Food Group Co.*	61,100	2,148,887
		4,364,232
Durables 0.4%		
Aerospace		
United Defense Industries, Inc.*	39,300	827,265
Energy 4.3%		
Oil & Gas Production 3.7%		
Cabot Oil & Gas Corp. "A"	18,500	444,925
Ocean Energy, Inc.	68,500	1,315,200
Patina Oil & Gas Corp.	66,300	1,823,250
Plains Resources, Inc.*	43,600	1,072,996
Swift Energy Co.*	75,000	1,515,000
Talisman Energy, Inc.	35,800	1,360,490
Vintage Petroleum, Inc.	78,800	1,138,660
		8,670,521
Oil / Gas Transmission 0.6%		
Western Gas Resources, Inc.	38,300	1,237,856

	Shares	Value ($)
Financial 3.7%		
Banks 1.1%		
Texas Regional Bancshares, Inc. "A"	66,920	2,532,922
Consumer Finance 0.3%		
Capital One Financial Corp.	14,600	787,670
Insurance 2.3%		
HCC Insurance Holdings, Inc.	76,300	2,102,065
IPC Holdings Ltd.	52,600	1,556,960
Renaissance Retail Group Ltd.	18,200	1,736,280
		5,395,305
Health 26.4%		
Biotechnology 6.9%		
Enzon, Inc.*	25,300	1,423,884
Genentech, Inc.*	24,200	1,312,850
IDEC Pharmaceuticals Corp.*	35,300	2,433,229
ILEX Oncology, Inc.*	66,500	1,798,160
Invitrogen Corp.*	28,800	1,783,584
Ligand Pharmaceuticals "B"*	84,600	1,514,340
MedImmune, Inc.*	29,700	1,376,595
Sepracor, Inc.*	51,000	2,910,060
Transkaryotic Therapies, Inc.*	35,000	1,498,000
		16,050,702
Health Industry Services 2.6%		
Covance, Inc.*	83,600	1,897,720
Davita, Inc.*	169,700	4,149,165
		6,046,885
Medical Supply & Specialty 2.2%		
Edwards Lifesciences Corp.*	86,200	2,381,706
Renal Care Group, Inc.*	86,600	2,779,860
		5,161,566
Pharmaceuticals 14.7%		
Biovail Corp.*	237,900	13,381,875
Caremark Rx, Inc.*	167,000	2,723,770
Celgene Corp.*	66,800	2,132,256
Charles River Laboratories International, Inc.*	41,200	1,379,376
Cubist Pharmaceuticals, Inc.*	79,300	2,851,628
CV Therapeutics, Inc.*	59,400	3,089,988
ICN Pharmaceuticals, Inc.	120,000	4,020,000
NPS Pharmaceuticals, Inc.*	115,674	4,430,314
		34,009,207

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Manufacturing 3.5%		
Containers & Paper 2.5%		
Packaging Corp. of America*	161,900	2,938,485
Pactiv Corp.*	160,400	2,847,100
		5,785,585
Office Equipment / Supplies 1.0%		
DDi Corp.*	249,700	2,457,048
Media 3.3%		
Advertising 1.0%		
Lamar Advertising Co.*	53,200	2,252,488
Broadcasting & Entertainment 2.3%		
Emmis Communications Corp. "A"*	104,400	2,468,016
Hispanic Broadcasting Corp.*	87,300	2,226,150
Regent Communications, Inc.*	95,800	646,650
		5,340,816
Metals and Minerals 1.0%		
Steel & Metals		
Precision Castparts Corp.	78,400	2,214,800
Service Industries 3.8%		
EDP Services 1.5%		
ChoicePoint Inc.*	70,550	3,576,180
Miscellaneous Commercial Services 2.3%		
Metris Companies, Inc.	140,800	3,619,968
Plexus Corp. "N"*	62,600	1,662,656
		5,282,624
Technology 25.9%		
Computer Software 9.8%		
Actuate Corp.*	269,100	1,418,157
Business Objects SA (ADR)*	65,600	2,217,280
Centillium Communications, Inc.*	196,000	1,540,560
i2 Technologies, Inc.*	207,800	1,641,620
Informatica Corp.*	90,600	1,314,606
IONA Technologies PLC (ADR)*	88,900	1,804,670
MatrixOne, Inc.*	65,200	846,948
Netegrity, Inc.*	63,350	1,226,456
NetIQ Corp.*	30,796	1,085,867
Precise Software Solutions Ltd.*	69,800	1,442,068
Quest Software, Inc.*	83,000	1,835,130
Rational Software Corp.*	85,800	1,673,100
Stellent, Inc.*	103,100	3,047,636
Tricord Systems, Inc.*	49,800	59,760
Vignette Corp.*	297,400	1,597,038
		22,750,896

	Shares	Value ($)
Diverse Electronic Products 1.6%		
Foundry Networks, Inc.*	76,000	619,400
McData Corp. "A"*	129,700	3,177,650
		3,797,050
EDP Peripherals 0.3%		
Mercury Interactive Corp.*	20,300	689,794
Electronic Components / Distributors 2.1%		
Agere Systems, Inc. "A"*	123,800	704,422
Applied Micro Circuits Corp.*	125,800	1,424,056
Marvell Technology Group Ltd.*	40,100	1,436,382
PMC-Sierra, Inc.*	60,200	1,279,852
		4,844,712
Precision Instruments 2.1%		
Coherent, Inc.*	72,700	2,247,884
Finisar Corp.*	259,700	2,641,149
		4,889,033
Semiconductors 10.0%		
Alpha Industries, Inc.*	82,900	1,807,220
Conexant Systems, Inc.*	192,800	2,768,608
Cree, Inc.*	116,200	3,423,252
Emulex Corp.*	81,300	3,212,163
Fairchild Semiconductor Corp.*	77,700	2,191,140
Kopin Corp.*	66,800	935,200
Pericom Semiconductor Corp.*	113,300	1,642,850
QLogic Corp.*	49,200	2,189,892
TriQuint Semiconductor, Inc.*	117,564	1,441,335
Vitesse Semiconductor Corp.*	173,200	2,158,072
Xilinx, Inc.*	38,500	1,503,425
		23,273,157
Utilities 2.1%		
Electric Utilities		
Covanta Energy Corp.*	147,100	664,892
Great Plains Energy, Inc.	46,600	1,174,320
Public Service Co. of New Mexico	36,600	1,022,970
UIL Holdings Corp.	19,600	1,005,480
WPS Resources Corp.	29,900	1,092,844
		4,960,506
Other 8.8%		
iShares Russell 2000 Growth Index Fund	197,100	11,352,960
iShares Russell 2000 Index Fund	95,700	9,220,695
		20,573,655
Total Common Stocks (Cost $206,267,722)		**219,780,388**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Preferred Stocks 0.6%		
Communications 0.1%		
Telephone / Communications		
Convergent Networks, Inc.	113,149	187,827
Consumer Discretionary 0.2%		
Specialty Retail		
Applianceware LP*	218,659	0
Technology 0.3%		
Computer Software		
fusionOne	230,203	540,977
Planetweb, Inc. "E" (b)	137,868	96,508
		637,485
Total Preferred Stocks (Cost $4,599,990)		**825,312**

	Principal Amount ($)	Value ($)
Cash Equivalents 4.8%		
Zurich Scudder Cash Management QP Trust, 2.05% (c) (Cost $11,276,396)	11,276,396	**11,276,396**
Total Investment Portfolio — 100.0% (Cost $222,144,108) (a)		**231,882,096**

Notes to Scudder Small Cap Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $226,609,258. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $5,272,838. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $40,652,183 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $35,379,345.*

(b) *Restricted securities are securities which have not been registered with the Securities and Exchange Commission under the Securities Act of 1933. The aggregate fair value of restricted securities at December 31, 2001 amounted to $96,508, which represents 0.04% of net assets. Information concerning such restricted securities at December 31, 2001 is as follows:*

	Acquisition Date	Cost ($)
Planetweb, Inc. "E"	9/12/2000	750,002

(c) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven-day yield at December 31, 2001.*

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $222,144,108)	$	231,882,096
Cash		10,016
Receivable for investments sold		21,430
Dividends receivable		35,944
Interest receivable		25,049
Receivable for Portfolio shares sold		241,755
Total assets		232,216,290

Liabilities

Payable for investments purchased		82,737
Payable for Portfolio shares redeemed		95,564
Accrued management fee		133,545
Other accrued expenses and payables		54,516
Total liabilities		366,362
Net assets, at value	**$**	**231,849,928**

Net Assets

Net assets consist of:		
Net unrealized appreciation (depreciation) on investments		9,737,988
Accumulated net realized gain (loss)		(98,213,029)
Paid-in capital		320,324,969
Net assets, at value	**$**	**231,849,928**
Net Asset Value and redemption price per share ($231,849,928 ÷ 18,115,952 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.80**

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:		
Dividends (net of foreign taxes withheld $1,190)	$	428,197
Interest		898,277
Total Income		1,326,474
Expenses:		
Management fee		1,542,283
Custodian fees		18,687
Auditing		28,287
Legal		11,737
Trustees' fees and expenses		5,591
Reports to shareholders		13,826
Other		3,859
Total expenses, before expense reductions		1,624,270
Expense reductions		(9,313)
Total expenses, after expense reductions		1,614,957
Net investment income (loss)		**(288,483)**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		(77,718,558)
Written options		(1,724,542)
Foreign currency related transactions		(67)
		(79,443,167)
Net unrealized appreciation (depreciation) during the period on investments		(7,240,482)
Net gain (loss) on investment transactions		**(86,683,649)**
Net increase (decrease) in net assets resulting from operations	**$**	**(86,972,132)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ (288,483)	$ (1,102,467)
Net realized gain (loss) on investment transactions	(79,443,167)	17,785,414
Net unrealized appreciation (depreciation) on investment transactions during the period	(7,240,482)	(61,612,670)
Net increase (decrease) in net assets resulting from operations	(86,972,132)	(44,929,723)
Distributions to shareholders from:		
Net realized gains	(34,633,203)	(30,002,611)
Return of capital	(365,607)	—
Portfolio share transactions:		
Proceeds from shares sold	349,551,936	245,915,262
Reinvestment of distributions	34,998,810	30,002,611
Cost of shares redeemed	(331,756,115)	(164,561,314)
Net increase (decrease) in net assets from Portfolio share transactions	52,794,631	111,356,559
Increase (decrease) in net assets	(69,176,311)	36,424,225
Net assets at beginning of period	301,026,239	264,602,014
Net assets at end of period	**$ 231,849,928**	**$ 301,026,239**

Other Information[a]

Shares outstanding at beginning of period	13,908,178	9,970,060
Shares sold	25,358,987	9,386,132
Shares issued to shareholders in reinvestment of distributions	2,772,424	1,016,416
Shares redeemed	(23,923,637)	(6,464,430)
Net increase (decrease) in Portfolio shares	4,207,774	3,938,118
Shares outstanding at end of period	**18,115,952**	**13,908,178**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a]	1997[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 21.64**	**$ 26.54**	**$ 19.71**	**$ 19.69**	**$ 16.77**
Income (loss) from investment operations:					
Net investment income (loss)	(.02)[b]	(.09)[b]	(.06)[b]	—	.04
Net realized and unrealized gain (loss) on investment transactions	(6.27)	(2.01)	6.89	3.42	4.88
Total from investment operations	(6.29)	(2.10)	6.83	3.42	4.92
Less distributions from:					
Net investment income	—	—	—	—	(.10)
Net realized gains on investment transactions	(2.52)	(2.80)	—	(3.40)	(1.90)
Return of capital	(.03)	—	—	—	—
Total distributions	(2.55)	(2.80)	—	(3.40)	(2.00)
Net asset value, end of period	**$ 12.80**	**$ 21.64**	**$ 26.54**	**$ 19.71**	**$ 19.69**
Total Return (%)	(28.91)	(10.71)	34.56	18.37	34.20
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	232	301	264	208	137
Ratio of expenses (%)	.68	.72	.71	.70	.71
Ratio of net investment income (loss) (%)	(.12)	(.34)	(.30)	(.01)	.20
Portfolio turnover rate (%)	143	124	208	276	330

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *Based on average shares outstanding during the period.*

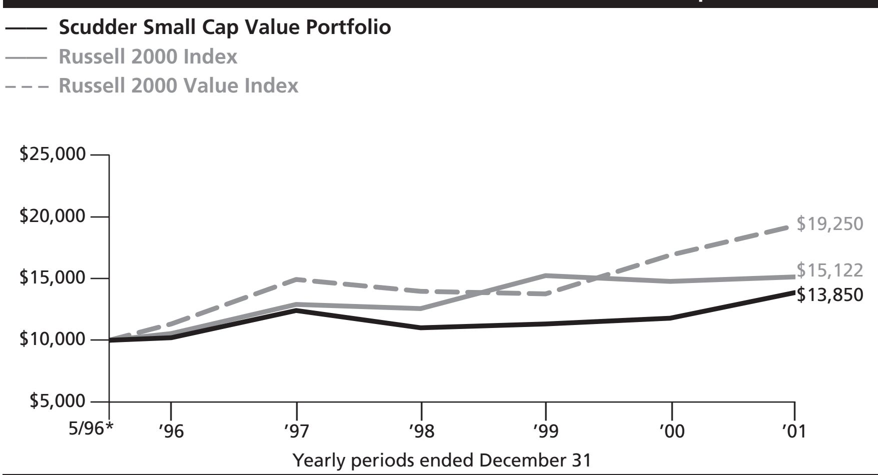
Scudder Small Cap Value Portfolio

The Scudder Small Cap Value Portfolio posted a strong double-digit return for the 12-month period ended December 31, outperforming the Russell 2000 Index by more than three percentage points. Going back to 1998 and 1999, the financial markets were quite speculative, and growth stocks had dominated value stocks. The stock market then endured several volatile periods during 2001: These came in the form of two “bear market rallies” where growth stocks jumped ahead of value stocks for two to three months at a time. The first such rally came in April and May 2001, and the second began in November. These growth rallies occurred against a backdrop of deteriorating corporate profits and a worsening U.S. economy. Over time, long-standing excesses in many growth stocks began to unwind, and value stocks rebounded strongly, as investors anticipated a turnaround in the U.S. economy during the second half of 2002. During 2001, stocks with the smallest market capitalization performed best.

The top performing sectors within small company value stocks as a group during the 12-month period were consumer discretionary, consumer staples and technology; the worst performers were energy, telecom/utilities and health care. The portfolio’s overweight (compared with its benchmark) in technology and its underweight in telecom/utilities boosted performance during the period. In addition, stock selection within the health care, consumer staples and basic industry sectors helped performance. Over the past 12 months, the portfolio had a weighted average price-to-earnings ratio of 14.22x versus 17.38x for the Russell 2000 Value Index, and a monthly average market capitalization of $687 million, versus $900 million for the index. We remain focused on companies that we expect will have higher earnings growth rates with attractive fundamentals at low relative valuations.

Robert D. Tymoczko
Stephen Marsh
Co-Lead Portfolio Managers
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Small Cap Value Portfolio from 5/1/1996 to 12/31/2001



The Russell 2000 Index is a capitalization-weighted price-only index which is composed of 2,000 of the smallest stocks (on the basis of capitalization) in the Russell 3000 Index. The largest company in the index has an approximate market cap of $591 million. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Beginning with the next semiannual report, the Russell 2000 Value Index, which better accommodates the Portfolio’s objective of seeking long-term capital appreciation through investment in undervalued common stocks of small U.S. Companies, will be shown instead of Russell 2000 Index.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	5-Year	Life of Portfolio	
Scudder Small Cap Value Portfolio	17.63%	7.97%	6.34%	5.92%	(Since 5/1/1996)

* *The Portfolio commenced operations on May 1, 1996. Index comparisons begin April 30, 1996.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio’s management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Small Cap Value Portfolio

	Shares	Value ($)
Common Stocks 95.4%		
Communications 0.9%		
Cellular Telephone 0.1%		
U.S. Unwired, Inc. "A"*	26,100	265,698
Telephone / Communications 0.8%		
CT Communications, Inc.	18,800	310,388
General Communication, Inc. "A"*	34,000	290,020
Hickory Tech Corp.	14,200	240,690
North Pittsburgh Systems, Inc.	19,300	357,050
Plantronics, Inc.*	9,400	241,016
Terayon Communication Systems, Inc.*	23,300	192,714
		1,631,878
Construction 6.1%		
Building Materials 0.7%		
Ameron, Inc.	2,900	200,680
Florida Rock Industries, Inc.	15,300	559,674
Pope & Talbot, Inc.	27,400	390,450
Universal Forest Products, Inc.	10,400	217,672
		1,368,476
Building Products 1.3%		
Dal-Tile International, Inc.*	20,400	474,300
Emcore Group, Inc.*	22,800	1,035,120
Genlyte Group, Inc.*	15,400	458,304
Nortek, Inc.*	8,600	239,940
Pitt-Des Moines, Inc.	8,100	251,100
		2,458,764
Forest Products 0.5%		
Louisiana-Pacific Corp.	61,800	521,592
Rayonier, Inc.	11,300	570,311
		1,091,903
Homebuilding 3.6%		
Beazer Homes USA, Inc.*	15,800	1,156,086
Crossman Communities	15,600	514,800
KB Home	33,300	1,335,330
M/I Schottenstein Homes, Inc.	2,700	134,379
MDC Holdings, Inc.	18,216	688,383
Pulte Corp.	15,376	686,846
Ryland Group, Inc.	19,400	1,420,080
Standard Pacific Corp.	16,800	408,576
Toll Brothers, Inc.*	13,000	570,700
		6,915,180
Consumer Discretionary 10.2%		
Apparel & Shoes 1.0%		
Genesco, Inc.*	10,700	222,132
K-Swiss, Inc. "A"	10,900	362,425
Phillips-Van Heusen Corp.	31,700	345,530
Stride Rite Corp.	79,000	517,450
The Buckle, Inc.*	18,200	405,860
		1,853,397
Department & Chain Stores 2.2%		
Burlington Coat Factory Warehouse Corp.	14,000	235,200
Casey's General Stores, Inc.	24,100	359,090
Cato Corp.	26,300	497,070
Charming Shoppes, Inc.*	114,900	610,119
Deb Shops, Inc.	14,700	356,475
Dillard's, Inc.	43,800	700,800
Dress Barn, Inc.*	21,800	545,218
Longs Drug Stores, Inc.	26,300	614,894
ShopKo Stores, Inc.*	22,600	214,700
		4,133,566
Home Furnishings 0.1%		
Haverty Furniture Co., Inc.	15,400	254,870
Hotels & Casinos 0.5%		
Alliance Gaming Corp.*	11,100	326,229
Aztar Corp.*	22,300	408,090
Prime Hospitality Corp.*	26,500	292,825
		1,027,144
Recreational Products 0.9%		
Acclaim Entertainment, Inc.*	90,400	479,120
Handleman Co.*	31,100	461,835
Winnebago Industries, Inc.	13,500	498,690
WMS Industries, Inc.*	15,800	316,000
		1,755,645
Restaurants 2.2%		
Applebee's International, Inc.	9,200	314,640
CBRL Group, Inc.	49,600	1,460,224
Landry's Restaurants, Inc.	16,900	315,185
O'Charley's, Inc.*	24,100	446,091
Ruby Tuesday, Inc.	26,400	544,632
Ryan's Family Steak Houses, Inc.*	53,500	1,158,275
		4,239,047
Specialty Retail 3.3%		
Circuit City Stores, Inc. — CarMax Group*	22,200	504,828
Fossil, Inc.*	22,000	462,000
Friedman's, Inc. "A"	21,700	182,714
Jakks Pacific, Inc.*	42,300	801,585
Michaels Stores, Inc.*	36,600	1,205,970
The Topps Co., Inc.*	60,100	730,215
Toro Co.	11,200	504,000
Trans World Entertainment Corp.*	45,400	345,040

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Zale Corp.*	38,600	1,616,568
		6,352,920
Consumer Staples 5.5%		
Alcohol & Tobacco 0.7%		
Schweitzer-Mauduit International, Inc.	16,900	401,375
Universal Corp.	27,300	993,993
		1,395,368
Consumer Electronic and Photographic 0.6%		
York International Corp.	32,800	1,250,664
Consumer Specialties 0.1%		
Russ Berrie & Co., Inc.	7,900	237,000
Food & Beverage 3.9%		
Bob Evans Farms, Inc.	35,500	872,235
Corn Products International, Inc.	29,100	1,025,775
Flowers Foods, Inc.*	5,200	207,584
Fresh Del Monte Produce, Inc.*	15,900	239,295
Great Atlantic & Pacific Tea Co., Inc.	31,300	744,314
International Multifoods Corp.	22,300	532,970
J & J Snack Foods Corp.*	18,600	454,770
Jack in the Box, Inc.*	13,900	382,806
Lance, Inc.	50,700	724,503
Nash-Finch Co.	16,400	510,040
Performance Food Group Co.*	25,200	886,284
Pilgrim's Pride Corp.	50,100	678,855
Wild Oats Markets, Inc.*	19,000	188,670
		7,448,101
Textiles 0.2%		
Nautica Enterprises, Inc.*	29,800	381,142
Durables 4.7%		
Aerospace 1.0%		
Alliant Techsystems, Inc.*	15,550	1,200,460
GenCorp, Inc.	27,700	390,847
Kaman Corp. "A"	18,900	294,840
		1,886,147
Automobiles 1.5%		
Borg-Warner Automotive, Inc.	16,300	851,675
Dura Automotive Systems, Inc.*	28,100	309,100
Group 1 Automotive, Inc.*	16,500	470,415
Oshkosh Truck Corp.	15,750	767,813
Sonic Automotive, Inc.*	22,000	515,680
		2,914,683
Construction / Agricultural Equipment 0.9%		
NACCO Industries, Inc. "A"	5,300	300,987
Stewart & Stevenson Services, Inc.	53,300	1,002,573
Terex Corp.*	23,600	413,944
		1,717,504
Leasing Companies 0.7%		
Dollar Thrifty Automotive Group, Inc.*	38,600	598,300
IKON Office Solutions, Inc.	70,900	828,821
		1,427,121
Telecommunications Equipment 0.2%		
Andrew Corp.*	19,600	429,044
Tires 0.4%		
Cooper Tire & Rubber Co.	46,300	738,948
Energy 1.6%		
Oil & Gas Production 0.8%		
Cabot Oil & Gas Corp. "A"	16,400	394,420
Key Production Co., Inc.*	21,600	367,200
Patina Oil & Gas Corp.	17,100	470,250
Penn Virginia Corp.	10,400	354,640
		1,586,510
Oil Companies 0.6%		
Houston Exploration Co.*	6,900	231,702
Stone Energy Corp.*	6,199	244,861
The Laclede Group, Inc.	27,600	659,640
		1,136,203
Oilfield Services / Equipment 0.2%		
Seitel, Inc.*	33,900	461,040
Financial 26.8%		
Banks 11.7%		
BankAtlantic Bancorp, Inc. "A"	68,100	625,158
BankUnited Financial Corp. "A"*	31,200	463,320
Banner Corp.	13,640	230,652
BOK Financial Corp.*	7,700	242,627
Coastal Bancorp, Inc.	15,100	436,390
Corus Bankshares, Inc.	8,500	385,900
Dime Community Bancshares	29,250	820,755
Downey Financial Corp.	26,100	1,076,625
First Citizens Bancshares, Inc. "A"	7,000	684,250
First Federal Capital Corp.	27,200	427,040
First Federal Financial Corp.*	28,300	725,329
First Financial Holdings, Inc.	10,300	248,951
First Indiana Corp.	12,500	273,875
First Republic Bank*	28,400	685,860
First Sentinel Bancorp, Inc.	12,400	155,248
First Source Corp.	13,940	288,558
Firstbank Corp.	5,700	162,450
Flagstar Bancorp, Inc.	13,000	261,690

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Flushing Financial Corp.	34,500	614,100
GBC Bancorp	21,600	637,200
Glacier Bancorp, Inc.	7,700	160,314
Greater Bay Bancorp	32,000	914,560
Hancock Holding Co.	11,600	499,264
Harbor Florida Bancshares, Inc.	13,400	227,800
IBERIABANK Corp.	2,900	80,388
Independence Community Bank Corp.	62,000	1,411,120
Independent Bank Corp.	10,300	221,347
International Bancshares Corp.	5,575	234,986
Irwin Financial Corp.	48,500	824,500
Local Financial Corp.*	32,200	450,478
MAF Bancorp, Inc.	24,900	734,550
Mississippi Valley Bancshares, Inc.	4,300	168,560
OceanFirst Financial Corp.	10,000	241,600
PFF Bancorp, Inc.	23,100	637,560
Provident Bankshares Corp.	35,400	860,220
Quaker City Bancorp, Inc.*	9,100	271,635
Republic Bancorp, Inc.	26,840	371,734
Sandy Spring Bancorp, Inc.	13,200	420,552
Silicon Valley Bancshares*	45,600	1,218,888
Simmons First National Corp. "A"	1,300	41,795
St. Francis Capital Corp.	15,400	356,202
Staten Island Bancorp, Inc.	67,800	1,105,818
Texas Regional Bancshares, Inc.	8,400	317,940
W Holding Co., Inc.	36,200	586,440
Waypoint Financial Corp.	14,600	220,168
Westcorp, Inc.	13,200	246,444
Wintrust Financial Corp.	8,100	247,617
		22,518,458
Consumer Finance 0.4%		
Thornburg Mortgage Asset Corp.	35,500	699,350
Insurance 4.8%		
Alfa Corp.	32,100	720,324
American Physicians Capital, Inc.*	8,300	180,525
AmerUS Group, Inc.	32,300	1,157,632
First American Financial Co.	57,800	1,083,172
Harleysville Group, Inc.	23,500	561,415
National Western Life Insurance Co.*	2,900	322,480
Ohio Casualty Corp.	54,900	881,145
Philadelphia Consolidated Holding Corp.*	16,300	614,673
PMA Capital Corp.	12,900	248,970
RLI Corp.	10,600	477,000
Selective Insurance Group, Inc.	25,400	551,942

	Shares	Value ($)
State Auto Financial Corp.	12,800	207,872
Stewart Information Services Corp.	37,500	740,625
The Midland Co.	8,900	389,820
Triad Guaranty, Inc.*	5,800	210,366
UICI*	24,100	325,350
Universal American Financial Corp.*	15,000	101,850
White Mountains Insurance Group, Inc.	1,600	556,800
		9,331,961
Other Financial Companies 1.0%		
R & G Financial Corp.	20,300	347,942
SWS Group, Inc.	35,505	903,602
The South Financial Group, Inc.	13,600	241,400
UMB Financial Corp.	9,240	369,600
		1,862,544
Real Estate 8.9%		
Amli Residential Properties Trust (REIT)	8,600	216,892
Annaly Mortgage Management, Inc. (REIT)	56,000	896,000
Anthracite Capital, Inc.	45,300	497,847
Brandywine Realty Trust (REIT)	30,000	632,100
CBL & Associates Properties, Inc.	32,500	1,023,750
Commercial Net Lease Realty (REIT)	15,900	206,700
Developers Diversified Realty Corp.	35,100	670,410
Equity Inns, Inc. (REIT)	44,700	295,914
Glimcher Realty Trust (REIT)	27,600	519,708
Health Care REIT, Inc. (REIT)	23,800	579,530
HealthCare Realty Trust, Inc.	29,800	834,400
Highwoods Properties, Inc. (REIT)	45,800	1,188,510
HRPT Properties Trust (REIT)	97,300	842,618
IndyMac Mortgage Holdings, Inc. (REIT)*	61,000	1,426,180
IRT Property Co. (REIT)	12,800	135,680
Kramont Realty Trust	14,900	217,540
Lexington Corporate Properties Trust	31,100	482,050
LNR Property Corp.	19,900	620,482
Meristar Hospitality Corp.	43,400	616,280
National Health Investors, Inc. (REIT)	53,200	787,360
Pan Pacific Retails Properties, Inc.	29,500	847,240
Pennsylvania Real Estate Investment Trust (REIT)	20,100	466,320
Prentiss Properties Trust	33,200	911,340
Prime Group Realty Trust (REIT)	58,600	540,878
SL Green Realty Corp. (REIT)	28,500	875,235

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Taubman Centers, Inc.	61,000	905,850
		17,236,814
Health 4.4%		
Biotechnology 0.3%		
Bio-Rad Laboratories, Inc. "A"*	7,800	493,740
Health Industry Services 2.0%		
Beverly Enterprises, Inc.*	34,800	299,280
DVI, Inc.*	9,700	166,840
Hooper Holmes, Inc.	23,600	211,220
Mid Atlantic Medical Services, Inc.*	43,000	976,100
NDCHealth Corp.	19,900	687,545
PAREXEL International Corp.*	16,800	241,080
Rightchoice Managed Care, Inc.*	6,800	475,932
Sybron Dental Specialties, Inc.*	11,400	246,012
Syncor International Corp.*	19,600	561,344
		3,865,353
Hospital Management 0.8%		
Coventry Health Care, Inc.*	37,700	752,115
Province Healthcare Co.*	14,200	438,212
Triad Hospitals, Inc.*	10,270	301,425
		1,491,752
Medical Supply & Specialty 1.2%		
Conmed Corp.	38,100	760,476
Cooper Companies, Inc.	14,300	714,714
INAMED Corp.*	16,100	484,127
Invacare Corp.	11,800	397,778
		2,357,095
Pharmaceuticals 0.1%		
Accredo Health, Inc.	6,700	265,990
Manufacturing 9.2%		
Chemicals 0.6%		
A. Schulman, Inc.	24,900	339,884
Albermarle Corp.	24,200	580,800
Arch Chemicals, Inc.	9,200	213,440
		1,134,124
Containers & Paper 1.7%		
Chesapeake Corp.	30,500	848,205
Glatfelter	42,000	654,360
Ivex Packaging Corp.*	20,900	397,100
Owens-Illinois, Inc.*	35,500	354,645
Silgan Holdings, Inc.*	36,600	957,456
		3,211,766
Diversified Manufacturing 2.0%		
Ball Corp.	20,000	1,414,000

	Shares	Value ($)
Briggs & Stratton Corp.	18,300	781,410
Cascade Natural Gas Corp.	23,400	515,970
Griffon Corp.	33,110	496,650
Myers Industries, Inc.	50,392	687,851
		3,895,881
Electrical Products 0.1%		
Dycom Industries, Inc.*	17,100	285,741
Industrial Specialty 1.3%		
A.O. Smith Corp.	44,100	859,950
Albany International Corp. "A"	18,500	401,450
H.B. Fuller Co.	25,200	725,004
Spartech Corp.	16,400	337,020
		2,323,424
Machinery / Components / Controls 2.2%		
American Axle & Manufacturing Holdings, Inc.*	18,400	393,392
Astec Industries, Inc.*	30,300	438,138
CIRCOR International, Inc.	10,500	193,725
ESCO Technologies, Inc.*	8,500	293,165
Intermet Corp.	61,600	206,360
JLG Industries, Inc.	18,600	198,090
Mueller Industries, Inc.*	12,400	412,300
Penn Engineering & Manufacturing Corp.	11,800	197,650
Polaris Industries, Inc.	16,100	929,775
Tecumseh Products Co. "A"	8,700	440,481
Watts Industries, Inc. "A"	38,000	570,000
		4,273,076
Office Equipment / Supplies 0.9%		
Checkpoint Systems, Inc.*	31,800	426,120
United Stationers, Inc.*	40,200	1,352,730
		1,778,850
Wholesale Distributors 0.4%		
Owens & Minor, Inc.	28,100	519,850
WESCO International, Inc.*	54,800	271,260
		791,110
Media 0.5%		
Advertising 0.1%		
ADVO, Inc.*	6,700	288,100
Broadcasting & Entertainment 0.2%		
XM Satellite Radio Holdings, Inc.*	24,600	451,656
Print Media 0.2%		
Electronics for Imaging, Inc.*	15,900	354,729
Metals and Minerals 0.7%		
Steel & Metals		
AK Steel Holding Corp.	22,900	260,602
Quanex Corp.	26,100	738,630

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Steel Dynamics, Inc.*	22,700	263,547
		1,262,779
Other 2.9%		
iShares Russell 2000 Index Fund	57,700	5,559,395
Service Industries 5.3%		
EDP Services 0.4%		
Pomeroy Computer Resources, Inc.*	27,300	368,550
VeriSign, Inc.*	9,021	343,159
		711,709
Environmental Services 0.7%		
Harsco Corp.	26,200	898,660
URS Corp.*	19,500	534,495
		1,433,155
Investment 0.5%		
Raymond James Financial, Inc.	25,100	891,552
Miscellaneous Commercial Services 2.4%		
Arbitron, Inc.*	20,800	710,320
Integrated Electrical Services, Inc.*	73,400	375,808
Kelly Services, Inc. "A"	28,600	626,054
MCSi, Inc.*	38,300	898,135
Modis Professional Services, Inc.*	136,500	974,610
Navigant International, Inc.*	21,600	247,320
Syntel, Inc.*	24,800	320,664
Volt Information Sciences, Inc.*	15,900	271,890
Wilsons Leather Experts, Inc.*	22,400	255,584
		4,680,385
Miscellaneous Consumer Services 0.6%		
CDI Corp.*	14,800	281,200
Sovran Self Storage, Inc.	19,900	619,885
Stewart Enterprises, Inc.	34,100	204,259
		1,105,344
Printing / Publishing 0.7%		
John H. Harland Co.	27,500	607,750
Mail-Well, Inc.*	65,600	268,960
Wallace Computer Services, Inc.	20,300	385,497
		1,262,207
Technology 7.7%		
Computer Software 2.0%		
Advanced Digital Information Corp.*	19,600	314,384
Advent Software, Inc.*	4,200	209,790
Borland Software Corp.*	34,200	535,572
Factset Research Systems, Inc.	13,100	457,845
MTS Systems Corp.	17,300	174,903
NUI Corp.	29,800	706,260
Progress Software Corp.*	53,700	927,936
Sykes Enterprises, Inc.*	19,300	180,262
Verity, Inc.*	13,900	281,475
		3,788,427
Diverse Electronic Products 0.3%		
Cable Design Technologies Corp.*	20,250	277,020
Esterline Technologies Corp.*	12,500	200,125
Vialta, Inc. "A"*	12,529	15,536
		492,681
EDP Peripherals 0.6%		
Gerber Scientific, Inc.	22,700	211,110
Zoran Corp.*	30,200	985,728
		1,196,838
Electronic Components / Distributors 1.7%		
Adaptec, Inc.*	35,100	508,950
Audiovox Corp. "A"*	27,100	202,166
CTS Corp.	13,600	216,240
Imation Corp.*	45,900	990,522
Interlogix, Inc.*	10,500	406,035
Pioneer-Standard Electronics, Inc.	40,200	510,540
Rogers Corp.*	6,300	190,890
Vishay Intertechnology, Inc.*	17,340	338,130
		3,363,473
Office / Plant Automation 0.7%		
CACI International, Inc.*	19,600	773,906
FileNet Corp.*	13,300	269,857
Novell, Inc.*	74,800	343,332
		1,387,095
Precision Instruments 0.9%		
ADTRAN, Inc.*	15,400	393,008
Credence Systems Corp.*	50,300	934,071
Moog, Inc. "A"*	16,200	353,160
		1,680,239
Semiconductors 1.2%		
Alliance Semiconductor Corp.*	30,800	372,064
Avnet, Inc.	8,961	228,237
ESS Technology, Inc.*	37,900	805,754
Exar Corp.*	12,800	266,880
Integrated Silicon Solution*	29,300	358,632
Pericom Semiconductor Corp.*	15,900	230,550
		2,262,117
Miscellaneous 0.3%		
Minerals Technologies, Inc.	12,700	592,328

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Transportation 3.6%		
Marine Transportation 0.3%		
Overseas Shipholding Group, Inc.	27,800	625,500
Railroads 0.5%		
Kansas City Southern Industries, Inc.*	18,100	255,753
Trinity Industries, Inc.	26,500	720,005
		975,758
Trucking 2.8%		
Arkansas Best Corp.*	36,600	1,054,812
ArvinMeritor, Inc.	47,200	927,008
J.B. Hunt Transport Services, Inc.	25,200	584,640
Roadway Corp.	23,300	855,110
USFreightways Corp.	35,100	1,102,140
Yellow Corp.	34,000	853,400
		5,377,110
Utilities 5.3%		
Electric Utilities 3.5%		
Anixter International, Inc.*	38,300	1,111,083
Black Hills Corp.	7,400	250,416
CH Energy Group, Inc.	15,500	673,785
Cleco Corp.	21,200	465,764
El Paso Electric Co.*	52,600	762,700
Northwestern Corp.	15,000	315,750
Public Service Co. of New Mexico	33,400	933,530
UIL Holdings Corp.	22,800	1,169,640
WPS Resources Corp.	28,200	1,030,710
		6,713,378
Natural Gas Distribution 1.8%		
Energen Corp.	23,800	586,670
ONEOK, Inc.	25,200	449,568
Peoples Energy Corp.	27,700	1,050,661
South Jersey Industries, Inc.	11,200	365,120
Southwest Gas Corp.	15,400	344,190
UGI Corp.	20,600	622,120
		3,418,329
Total Common Stocks (Cost $163,470,659)		**184,049,276**

	Principal Amount ($)	Value ($)
Cash Equivalents 4.6%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $8,932,824)	8,932,824	**8,932,824**
Total Investment Portfolio — 100.0% (Cost $172,403,483) (a)		**192,982,100**

Notes to Scudder Small Cap Value Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $172,778,974. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $20,203,126. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $26,954,098 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $6,750,972.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven-day yield at period end.*

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $172,403,483)	$	192,982,100
Cash		10,000
Dividends receivable		322,930
Interest receivable		11,918
Receivable for Portfolio shares sold		619,936
Total assets		193,946,884

Liabilities

Payable for investments purchased		11,890
Payable for Portfolio shares redeemed		51,145
Accrued management fee		118,390
Other accrued expenses and payables		31,218
Total liabilities		212,643
Net assets, at value	**$**	**193,734,241**

Net Assets

Net assets consist of:		
Undistributed net investment income (loss)		931,611
Net unrealized appreciation (depreciation) on:		
Investments		20,578,617
Accumulated net realized gain (loss)		(3,808,552)
Paid-in capital		176,032,565
Net assets, at value	**$**	**193,734,241**
Net Asset Value and redemption price per share ($193,734,241 ÷ 14,668,207 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.21**

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $148)	$	1,676,504
Interest		215,555
Total Income		1,892,059
Expenses:		
Management fee		908,139
Custodian fees		10,894
Auditing		17,720
Legal		4,864
Trustees' fees and expenses		4,251
Reports to shareholders		8,897
Other		3,311
Total expenses, before expense reductions		958,076
Expense reductions		(1,267)
Total expenses, after expense reductions		956,809
Net investment income (loss)		**935,250**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		809,129
Net unrealized appreciation (depreciation) during the period on investments		19,332,255
Net gain (loss) on investment transactions		20,141,384
Net increase (decrease) in net assets resulting from operations	**$**	**21,076,634**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 935,250	$ 128,161
Net realized gain (loss) on investment transactions	809,129	5,269,539
Net unrealized appreciation (depreciation) on investment transactions during the period	19,332,255	(2,407,889)
Net increase (decrease) in net assets resulting from operations	21,076,634	2,989,811
Distributions to shareholders from:		
Net investment income	—	(485,490)
Portfolio share transactions:		
Proceeds from shares sold	110,669,303	11,276,061
Reinvestment of distributions	—	485,490
Cost of shares redeemed	(21,981,570)	(25,489,438)
Net increase (decrease) in net assets from Portfolio share transactions	88,687,733	(13,727,887)
Increase (decrease) in net assets	109,764,367	(11,223,566)
Net assets at beginning of period	83,969,874	95,193,440
Net assets at end of period (including undistributed net investment income of $931,611 and accumulated distribution in excess of net investment income of $3,639, respectively)	**$ 193,734,241**	**$ 83,969,874**

Other Information[a]		
Shares outstanding at beginning of period	7,479,350	8,773,727
Shares sold	9,043,257	1,059,307
Shares issued to shareholders in reinvestment of distributions	—	44,942
Shares redeemed	(1,854,400)	(2,398,626)
Net increase (decrease) in Portfolio shares	7,188,857	(1,294,377)
Shares outstanding at end of period	**14,668,207**	**7,479,350**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a]	1997[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 11.23**	**$ 10.85**	**$ 10.65**	**$ 12.27**	**$ 10.19**
Income (loss) from investment operations:					
Net investment income	.09[b]	.02[b]	.07[b]	.09	.12
Net realized and unrealized gain (loss) on investment transactions	1.89	.42	.23	(1.41)	2.06
Total from investment operations	1.98	.44	.30	(1.32)	2.18
Less distributions from:					
Net investment income	—	(.06)	(.10)	—	(.10)
Net realized gains on investment transactions	—	—	—	(.30)	—
Total distributions	—	(.06)	(.10)	(.30)	(.10)
Net asset value, end of period	**$ 13.21**	**$ 11.23**	**$ 10.85**	**$ 10.65**	**$ 12.27**
Total Return (%)	17.63	4.05	2.80	(11.25)	21.73
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	194	84	95	102	76
Ratio of expenses before expense reductions (%)	.79	.82	.84	.80	.84
Ratio of expenses after expense reductions (%)	.79	.82	.83	.80	.84
Ratio of net investment income (loss) (%)	.77	.15	.69	1.15	1.18
Portfolio turnover rate (%)	57	36	72	43	22

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *Based on average shares outstanding during the period.*

Scudder Strategic Income Portfolio

The Scudder Strategic Income Portfolio provided a total return of 5.23 percent for the year ended December 31, 2001, compared with an 8.50 percent return for its benchmark, the Lehman Brothers Government/Corporate Index, but ahead of the 3.64 percent return for the average multisector income fund as tracked by Lipper, Inc.

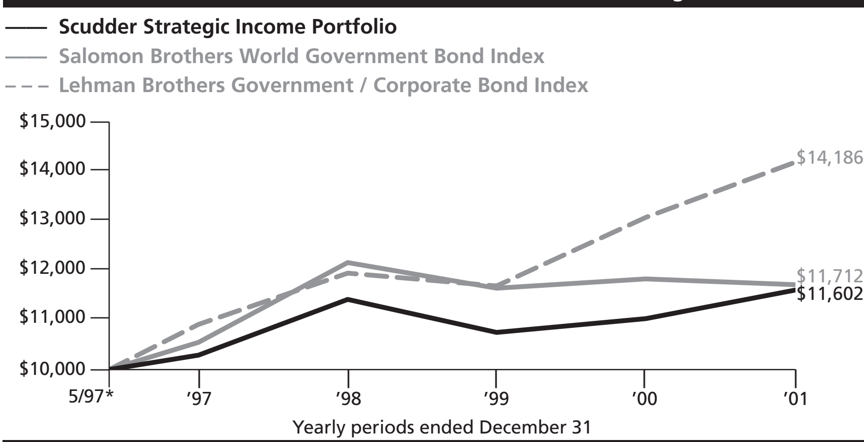
The primary factor affecting performance was the portfolio's emerging-markets exposure. As emerging markets rallied early in the year, the portfolio benefited from rising prices on the debt. Then, as fundamentals in Argentina deteriorated, we eliminated our holdings in Argentina. This helped the portfolio avoid much of the damage caused by the general sell-off in Latin America. While the portfolio continues to hold emerging markets, we remain in higher quality holdings in an effort to maintain attractive yields while seeking to reduce price volatility.

In the high-yield market, we entered the year fairly positive on the outlook for lower interest rates and a rebound in the economy by the second or third quarter. As a result, we maintained our holdings in high-yield U.S. securities, which we believed would benefit from the expected recovery. That strategy worked well for the portfolio until September. Performance was hurt in September because of our overweight position in high-yield securities. However, we decided not to make any major changes because we thought the downward move was behind us. That decision helped the portfolio in October and November as the high-yield market rebounded on early signs that the economy was beginning to recover.

Although we believe we will see signs of recovery in 2002, we have become more cautious regarding overall credit quality. Accordingly, we have emphasized corporate securities that we believe to be less sensitive to changes in the economy. Also, we will continue to watch the situation in Argentina closely. Until the outlook there begins to stabilize, we intend to retain our cautious emerging-markets exposure.

J. Patrick Beimford and Jan C. Faller
Co-Lead Portfolio Managers, Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Strategic Income Portfolio from 5/1/1997 to 12/31/2001



The Salomon Brothers World Government Bond Index is an unmanaged index comprised of government bonds from 18 developed countries (including the U.S.) with maturities greater than one year. Lehman Brothers Government / Corporate Bond Index is an unmanaged index comprised of intermediate- and long-term government and investment-grade corporate debt securities.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	Life of Portfolio	
Scudder Strategic Income Portfolio	5.23%	.54%	3.24%	(Since 5/1/1997)

* *The Portfolio commenced operations on May 1, 1997. Index comparisons begin April 30, 1997.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Effective 5/1/2000 the portfolio had name and investment objective changes: Kemper Global Income Portfolio name was changed to Kemper Strategic Income Portfolio.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Strategic Income Portfolio

		Principal Amount ($)	Value ($)
Foreign Bonds — U.S.$ Denominated 10.0%			
Government of Jamaica,			
11.625%, 1/15/2022		300,000	291,000
11.75%, 5/15/2011		190,000	197,125
Ministry Finance Russia, 3.0%, 5/14/2006		170,000	119,000
Republic of Bulgaria:			
Interest Arrears Bond, Series PDI, LIBOR plus .8125%, (4.563%), 7/28/2011		74,250	64,969
Interest Arrears Bond, Series RPDI, LIBOR plus .8125%, (4.563%), 7/28/2011		52,470	45,911
Collateralized Discount Bond, Series A, LIBOR plus .8125%, (4.563%), 7/28/2024		100,000	88,875
Republic of Colombia, 9.75%, 4/23/2009		182,000	186,095
Republic of Panama:			
Interest Reduction Bond, 4.75%, 7/17/2014		120,370	106,904
10.75%, 5/15/2020		80,000	85,200
Republic of the Philippines, 10.625%, 3/16/2025		130,000	127,400
Republic of Venezuela, 9.25%, 9/15/2027		150,000	94,500
Russian Federation:			
Series 144A, Step-up Coupon, 5% to 3/31/2007, 7.5% to 3/31/2030		180,000	104,400
Series REGS, Step-up Coupon, 5% to 3/31/2007, 7.5% to 3/31/2030		125,000	72,500
8.25%, 3/31/2010		100,000	87,000
10.0%, 6/26/2007		40,000	39,500
United Mexican States:			
11.375%, 9/15/2016		115,000	146,510
11.5%, 5/15/2026		125,000	154,125
Total Foreign Bonds — U.S.$ Denominated (Cost $1,872,596)			**2,011,014**
Foreign Bonds — Non U.S.$ Denominated 12.3%			
European Investment Bank, 2.125%, 9/20/2007	JPY	59,000,000	486,567
Federal Republic of Germany, 6.25%, 1/4/2024	EUR	180,000	176,845
French Treasury Note, 4.5%, 7/12/2003	EUR	200,000	180,776
KFW International Finance, 1.75%, 3/23/2010	JPY	52,000,000	418,773
Government of Canada, 7.25%, 6/1/2007	CAD	850,000	593,970
Government of Germany Obligation, 5%, 11/12/2002	EUR	250,000	226,014
Kredit Fuer Wiederaufbau, 5.0%, 7/4/2011	EUR	180,000	158,031
United Kingdom Treasury Bond:			
7.75%, 9/8/2006	GBP	50,000	80,573
9.0%, 7/12/2011	GBP	85,000	160,156
Total Foreign Bonds — Non U.S.$ Denominated (Cost $2,571,771)			**2,481,705**
U.S. Government & Agencies 48.3%			
U.S. Treasury Note:			
5.5%, 3/31/2003		1,000,000	1,038,590
5.625%, 12/31/2002		325,000	336,375
6.5%, 2/15/2010		1,600,000	1,756,256
6.5%, 10/15/2006		3,125,000	3,398,438
7.25%, 5/15/2004		1,000,000	1,087,970
U.S. Treasury Bond, 8.5%, 2/15/2020		1,635,000	2,139,038
Total U.S. Government & Agencies (Cost $9,808,415)			**9,756,667**
U.S. Government Agency Pass-Thrus 6.6%			
Federal National Mortgage Association, 7.5%, 10/1/2030 (Cost $1,295,819)		1,300,492	**1,342,823**
Short-Term Investments 22.8%			
Federal Home Loan Bank, 1.47%*, 1/2/2002 (Cost $4,599,812)		4,600,000	**4,599,812**
Cash Equivalents 0.0%			
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $7,085)		7,085	**7,085**
Total Investment Portfolio -— 100.0% (Cost $20,155,498) (a)			**20,199,106**

Notes to Scudder Strategic Income Portfolio of Investments

* *Annualized yield at time of purchase; not a coupon rate.*

(a) *The cost for federal income tax purposes was $20,182,358. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $16,748. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $311,560 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $294,812.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven-day yield at period end.*

Currency Abbreviation

EUR	Euro	JPY	Japanese Yen	CAD	Canadian Dollars	GBP	British Pounds

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $20,155,498)	$	20,199,106
Cash		113,713
Foreign currency, at value (cost $32,739)		32,146
Dividends receivable		3,288
Interest receivable		243,622
Receivable for Portfolio shares sold		100,210
Unrealized appreciation on forward currency exchange contracts		74,467
Total assets		20,766,552

Liabilities

Payable for investments purchased		7,085
Payable for Portfolio shares redeemed		59
Unrealized depreciation on forward currency exchange contracts		10,894
Accrued management fee		11,345
Other accrued expenses and payables		6,492
Total liabilities		35,875
Net assets, at value	**$**	**20,730,677**

Net Assets

Net assets consist of:		
Undistributed net investment income		755,423
Net unrealized appreciation (depreciation) on:		
Investments		43,608
Foreign currency related transactions		62,620
Accumulated net realized gain (loss)		(459,378)
Paid-in capital		20,328,404
Net assets, at value	**$**	**20,730,677**
Net Asset Value and redemption price per share ($20,730,677 ÷ 2,018,991 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.27**

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:		
Dividends	$	24,188
Interest		766,427
Total Income		790,615
Expenses:		
Management fee		94,858
Custodian fees		1,221
Total expenses, before expense reductions		96,079
Expense reductions		(833)
Total expenses, after expense reductions		95,246
Net investment income		**695,369**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		(98,495)
Foreign currency related transactions		60,691
		(37,804)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(69,389)
Foreign currency related transactions		95,992
		26,603
Net gain (loss) on investment transactions		**(11,201)**
Net increase (decrease) in net assets resulting from operations	**$**	**684,168**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income	$ 695,369	$ 379,684
Net realized gain (loss) on investment transactions	(37,804)	(373,641)
Net unrealized appreciation (depreciation) on investment transactions during the period	26,603	261,469
Net increase (decrease) in net assets resulting from operations	684,168	267,512
Distributions to shareholders from:		
Net investment income	(110,157)	(148,964)
Portfolio share transactions:		
Proceeds from shares sold	20,261,132	5,677,622
Reinvestment of distributions	110,157	148,964
Cost of shares redeemed	(9,208,486)	(2,549,925)
Net increase (decrease) in net assets from Portfolio share transactions	11,162,803	3,276,661
Increase (decrease) in net assets	11,736,814	3,395,209
Net assets at beginning of period	8,993,863	5,598,654
Net assets at end of period (including undistributed net investment income of $755,423 and $82,194, respectively)	**$ 20,730,677**	**$ 8,993,863**

Other Information[a]

Shares outstanding at beginning of period	912,080	567,879
Shares sold	1,998,893	590,588
Shares issued to shareholders in reinvestment of distributions	11,091	15,543
Shares redeemed	(903,073)	(261,930)
Net increase (decrease) in Portfolio shares	1,106,911	344,201
Shares outstanding at end of period	**2,018,991**	**912,080**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001[a]	2000[b]	1999[b]	1998[b]	1997[b,c]
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.86**	**$ 9.86**	**$ 11.09**	**$ 10.29**	**$ 10.00**
Income (loss) from investment operations:					
Net investment income	.48[d]	.51[d]	.47[d]	.24	.36
Net realized and unrealized gain (loss) on investment transactions	.03	(.26)	(1.10)	.86	(.07)
Total from investment operations	.51	.25	(.63)	1.10	.29
Less distributions from:					
Net investment income	(.10)	(.25)	(.40)	(.20)	—
Net realized gains on investment transactions	—	—	(.20)	(.10)	—
Total distributions	(.10)	(.25)	(.60)	(.30)	—
Net asset value, end of period	**$ 10.27**	**$ 9.86**	**$ 9.86**	**$ 11.09**	**$ 10.29**
Total Return (%)	5.23	2.57	(5.85)	10.98	2.87**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	21	9	6	5	2
Ratio of expenses before expense reductions (%)	.66	1.14	1.03	1.08	1.10*
Ratio of expenses after expense reductions (%)	.65	1.10	1.01	1.08	1.10*
Ratio of net investment income (loss) (%)	4.76	5.26	4.57	4.32	5.36*
Portfolio turnover rate (%)	27	154	212	330	290*

[a] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by $.04, increase net realized and unrealized gains and losses per share by $.04 and decrease the ratio of net investment income to average net assets from 5.16% to 4.76%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

[b] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[c] *For the period from May 1, 1997 (commencement of operations) to December 31, 1997.*

[d] *Based on average shares outstanding during the period.*

* *Annualized*

** *Not annualized*

Scudder Technology Growth Portfolio

We are disappointed to report that Scudder Technology Growth Portfolio's return was –32.39 percent for fiscal year 2001. The portfolio's benchmark, the unmanaged JPMorgan H&Q Technology Index, fell 30.88 percent for the 12 months ended December 31, 2001. During the period, we also measured the portfolio's performance against the unmanaged Goldman Sachs Technology Index, a capitalization-weighted group of more than 200 technology stocks of various sizes. The index fell 28.57 percent for the 12 months ended December 31.

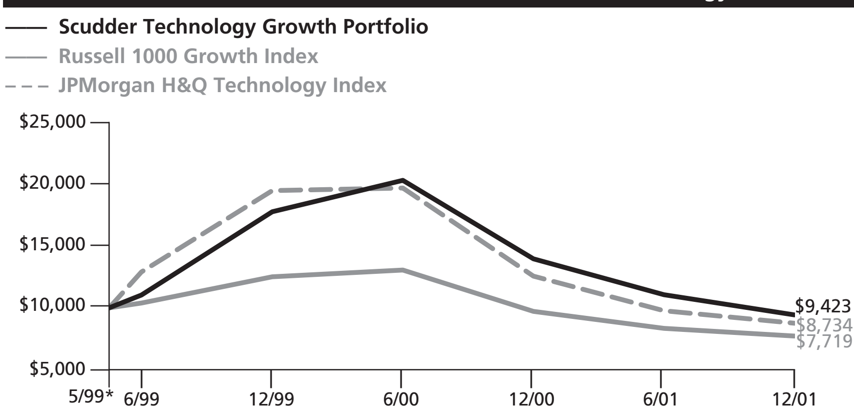
We attribute some of the portfolio's underperformance to investments in private placement (non-publicly traded) securities whose values were marked down drastically and which are not in either index. We also maintained a large cash position that hurt performance when the market rallied this past autumn.

In 2001, technology companies grappled with three problems: huge inventory levels of unsold goods, large write-offs of sour investments and weak prospects for product demand. Given the weak environment, we sold some of the smaller, less-well capitalized companies in the portfolio, and adopted a more defensive posture. We eliminated companies we felt had weak prospects or little hope of a turnaround. This positioning increased the portfolio's overall level of concentration.

For the year ahead, we believe technology companies will look to exciting new applications to rekindle corporate capital spending on technology. Innovative applications typically drive end users to purchase new technology products, and that ripples up through the entire supply chain. We will look for companies with high cash flow -— companies that we believe will be survivors.

Robert L. Horton
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Technology Growth Portfolio from 5/1/1999 to 12/31/2001



The Russell 1000 Growth Index is an unmanaged index composed of common stocks of larger U.S. companies with greater-than-average growth orientation and represents the universe of stocks from which "earnings/growth" money managers typically select. The JPMorgan H&Q Technology Index (formerly Hambrecht & Quist Index) is a market-capitalization-weighted index which is composed of publicly traded stocks in approximately 275 technology companies.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	Life of Portfolio	
Scudder Technology Growth Portfolio	–32.39%	–2.21%	(Since 5/1/1999)

* *The Portfolio commenced operations on May 1, 1999. Index comparisons begin April 30, 1999.*

[1] *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Technology Growth Portfolio

	Shares	Value ($)
Common Stocks 81.3%		
Communications 3.1%		
Cellular Telephone 1.8%		
AT&T Wireless Services, Inc.*	289,700	4,162,989
Nokia Oyj (ADR)	80,900	1,984,477
		6,147,466
Telephone / Communications 1.3%		
JDS Uniphase Corp.*	163,540	1,427,704
WorldCom, Inc.*	215,400	3,032,832
		4,460,536
Durables 3.3%		
Telecommunications Equipment		
Lucent Technologies, Inc.	425,200	2,674,508
Nortel Networks Corp.	406,600	3,049,500
Palm, Inc.*	219,100	850,108
Sonus Networks, Inc.*	143,200	661,584
Tellabs, Inc.*	269,974	4,057,709
		11,293,409
Manufacturing 1.9%		
Electrical Products 0.2%		
Amphenol Corp. "A"*	15,900	760,338
Industrial Specialty 1.7%		
Corning, Inc.	156,600	1,396,872
QUALCOMM, Inc.*	90,200	4,555,100
		5,951,972
Media 4.1%		
Broadcasting & Entertainment		
AOL Time Warner, Inc.*	440,700	14,146,470
Service Industries 11.3%		
EDP Services 5.8%		
Automatic Data Processing, Inc.	72,500	4,270,250
Electronic Data Systems Corp.	87,600	6,004,980
First Data Corp.	91,200	7,154,640
Fiserv, Inc.*	57,350	2,427,052
		19,856,922
Miscellaneous Commercial Services 3.9%		
Concord EFS, Inc.*	74,400	2,438,832
Paychex, Inc.	103,800	3,637,152
Sabre Holdings Corp.*	125,000	5,293,750
Siebel Systems, Inc.*	69,400	1,941,812
		13,311,546

	Shares	Value ($)
Miscellaneous Consumer Services 1.0%		
eBay, Inc.*	50,500	3,378,450
Miscellaneous 0.6%		
Accenture Ltd.*	81,400	2,191,288
Technology 57.6%		
Computer Software 15.0%		
Adobe Systems, Inc.	127,300	3,952,665
BEA Systems, Inc.*	211,858	3,264,732
Cadence Design Systems, Inc.*	37,100	813,232
Check Point Software Technologies Ltd.*	84,700	3,378,683
Computer Associates International, Inc.	86,800	2,993,732
Compuware Corp.*	68,800	811,152
Comverse Technologies, Inc.*	50,200	1,122,974
i2 Technologies, Inc.*	84,546	667,913
Intuit, Inc.*	72,877	3,116,221
Microsoft Corp.*	319,073	21,144,968
NetScreen Technologies, Inc.*	14,500	320,885
Oracle Corp.*	510,700	7,052,767
PeopleSoft, Inc.*	68,500	2,753,700
		51,393,624
Diverse Electronic Products 4.5%		
Dell Computer Corp.*	269,675	7,329,767
Motorola, Inc.	274,720	4,126,294
Teradyne, Inc.*	129,100	3,891,074
		15,347,135
EDP Peripherals 4.5%		
Brocade Communications Systems, Inc.*	164,100	5,434,992
EMC Corp.*	255,400	3,432,576
Mercury Interactive Corp.*	106,600	3,622,268
Symbol Technologies, Inc.	41,500	659,020
VERITAS Software Corp.*	53,756	2,409,344
		15,558,200
Electronic Components / Distributors 5.8%		
Cisco Systems, Inc.*	764,000	13,836,040
Flextronics International Ltd.*	103,800	2,490,162
United Microelectronics Corp., Ltd. (ADR)*	378,800	3,636,480
		19,962,682
Electronic Data Processing 9.1%		
Apple Computer, Inc.*	78,900	1,727,910
Compaq Computer Corp.	424,600	4,144,096

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Hewlett–Packard Co.	222,800	4,576,312
International Business Machines Corp.	135,900	16,438,464
Sun Microsystems, Inc.*	346,888	4,284,067
		31,170,849
Precision Instruments 0.7%		
Agilent Technologies, Inc.*	83,200	2,372,032
Semiconductors 18.0%		
Altera Corp.*	76,800	1,629,696
Analog Devices, Inc.*	171,100	7,595,129
Applied Materials, Inc.*	104,260	4,180,826
Intel Corp.	623,200	19,599,640
KLA-Tencor Corp.*	117,900	5,843,124
Linear Technology Corp.	63,300	2,471,232
Maxim Integrated Products, Inc.*	53,137	2,790,224
Micron Technology, Inc.*	83,600	2,591,600
Novellus Systems, Inc.*	48,200	1,901,490
STMicroelectronics NV (New York shares)	109,900	3,480,533
Texas Instruments, Inc.	202,044	5,657,232
Vitesse Semiconductor Corp.*	72,400	902,104
Xilinx, Inc.*	79,700	3,112,285
		61,755,115
Total Common Stocks (Cost $360,692,678)		**279,058,034**

	Principal Amount ($)	Value ($)
Cash Equivalents 18.7%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $64,038,820)	64,038,820	**64,038,820**
Total Investment Portfolio — 100.0% (Cost $424,731,498) (a)		**343,096,854**

Notes to Scudder Technology Growth Portfolio of Investments

* *Non–income producing security.*

(a) *The cost for federal income tax purposes was $435,223,609. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $92,126,755. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $14,293,610 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $106,420,365.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at December 31, 2001.*

At December 31, 2001, outstanding written options on securities were as follows:

Written Options	Contracts	Expiration Date	Strike Price ($)	Value ($)
Call on Brocade Communications Systems, Inc. (Premiums received $111,452)	648	1/21/2002	40	38,880

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $424,731,498)	$	343,096,854
Cash		10,000
Receivable for investments sold		19,138,388
Dividends receivable		55,180
Interest receivable		101,328
Receivable for Portfolio shares sold		511,421
Total assets		362,913,171

Liabilities

Payable for investments purchased		7,581,585
Payable for Portfolio shares redeemed		4,461,513
Written options, at value (premiums received $111,452)		38,880
Accrued management fee		217,403
Other accrued expenses and payables		90,806
Total liabilities		12,390,187
Net assets, at value	**$**	**350,522,984**

Net Assets

Net assets consist of:		
Undistributed net investment income (loss)		205,524
Net unrealized appreciation (depreciation) on:		
Investments		(81,634,644)
Written options		72,572
Accumulated net realized gain (loss)		(121,514,057)
Paid-in capital		553,393,589
Net assets, at value	**$**	**350,522,984**
Net Asset Value and redemption price per share ($350,522,984 ÷ 37,439,839 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.36**

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:		
Dividends (net of foreign taxes withheld $9,620)	$	506,710
Interest		2,446,258
Total Income		2,952,968
Expenses:		
Management fee		2,370,718
Custodian and accounting fees		88,027
Auditing		43,408
Legal		10,276
Trustees' fees and expenses		14,869
Reports to shareholders		50,554
Other		6,592
Total expenses, before expense reductions		2,584,444
Expense reductions		(2,043)
Total expenses, after expense reductions		2,582,401
Net investment income (loss)		**370,567**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		(79,291,601)
Written options		624,407
		(78,667,194)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(45,214,036)
Written options		72,572
		(45,141,464)
Net gain (loss) on investment transactions		**(123,808,658)**
Net increase (decrease) in net assets resulting from operations	**$**	**(123,438,091)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 370,567	$ 478,166
Net realized gain (loss) on investment transactions	(78,667,194)	(42,846,863)
Net unrealized appreciation (depreciation) on investment transactions during the period	(45,141,464)	(56,318,845)
Net increase (decrease) in net assets resulting from operations	(123,438,091)	(98,687,542)
Distributions to shareholders from:		
Net investment income	(547,146)	—
Net realized gains	—	(873,790)
Portfolio share transactions:		
Proceeds from shares sold	284,035,950	296,670,353
Reinvestment of distributions	547,146	873,790
Cost of shares redeemed	(79,750,117)	(12,516,859)
Net increase (decrease) in net assets from Portfolio share transactions	204,832,979	285,027,284
Increase (decrease) in net assets	80,847,742	185,465,952
Net assets at beginning of period	269,675,242	84,209,290
Net assets at end of period (including undistributed net investment income of $205,524 and $382,103, respectively)	**$ 350,522,984**	**$ 269,675,242**

Other Information[a]

Shares outstanding at beginning of period	19,442,070	4,738,845
Shares sold	25,541,476	15,397,268
Shares issued to shareholders in reinvestment of distributions	54,906	41,109
Shares redeemed	(7,598,613)	(735,152)
Net increase (decrease) in Portfolio shares	17,997,769	14,703,225
Shares outstanding at end of period	**37,439,839**	**19,442,070**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a,b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 13.87**	**$ 17.77**	**$ 10.00**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.01	.04	.05
Net realized and unrealized gain (loss) on investment transactions	(4.50)	(3.84)	7.72
Total from investment operations	(4.49)	(3.80)	7.77
Less distributions from:			
Net investment income	(.02)	—	—
Net realized gains on investment transactions	—	(.10)	—
Total distributions	(.02)	(.10)	—
Net asset value, end of period	**$ 9.36**	**$ 13.87**	**$ 17.77**
Total Return (%)	(32.39)	(21.57)	77.70[d]**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	351	270	84
Ratio of expenses before expense reductions (%)	.81	.82	1.19*
Ratio of expenses after expense reductions (%)	.81	.82	.94*
Ratio of net investment income (loss) (%)	.12	.21	.60*
Portfolio turnover rate (%)	56	107	34*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *For the period from May 1, 1999 (commencement of operations) to December 31, 1999.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

Scudder Total Return Portfolio

In 2001, the economy ended its many years of expansion and moved from a slow-down into a full-fledged recession. The markets plummeted, but by year's end it was clear that the U.S. economy and investment markets would remain resilient.

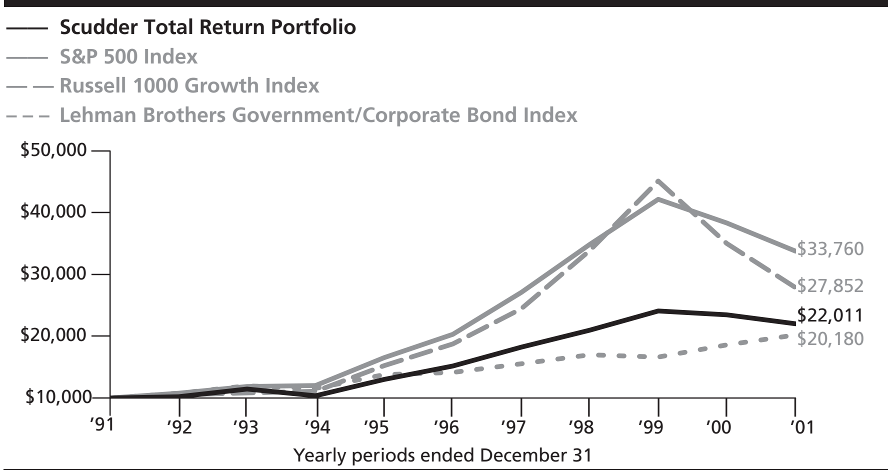
Scudder Total Return Portfolio invests in both stocks and bonds. Gains in bonds tempered the portfolio's exposure to wild market volatility and mitigated potential losses by the portfolio's stocks. For the 12 months ended December 31, 2001, the portfolio declined 6.09 percent. By comparison, the portfolio's equity benchmark, the Standard & Poor's 500, lost 11.88 percent and the portfolio's bond benchmark, the Lehman Brothers Government/Corporate Bond Index, gained 8.50 percent. The S&P 500 is an unmanaged group of large-cap stocks (growth and value) that are representative of the U.S. stock market. The Lehman Brothers Government/Corporate Bond Index is a group of U.S. government and corporate bonds representative of the broad bond market.

We actively monitor the portfolio's stock-to-bond ratio. The portfolio's allocation is based on our analysis of market and economic conditions. We consider interest-rate and inflation trends, monetary policy, domestic earnings growth, and the global economy. A "neutral" mix has typically been about 60 percent stocks and 40 percent bonds. We structured the portfolio defensively throughout most of the period because of the economic slowdown. We reduced technology and added to more defensive stocks such as health care and finance. By late summer, we had allowed cash to build up and the portfolio's stock-to-bond ratio shifted to about 50 percent stocks and 45 percent bonds. As we saw signs of improvement, we shifted the ratio back to about 60 percent stocks and 40 percent bonds; trimmed defensive stocks; and added stocks we believed would benefit from an improving economy. These included technology, industrial and retail stocks. This was beneficial at year-end.

We expect market volatility to continue as the economic and political environment remains uncertain. We believe that the worst may be over and have positioned the portfolio to take full advantage of any economic improvement with its increased stock exposure.

Gary A. Langbaum
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Growth of an Assumed $10,000 Investment in Scudder Total Return Portfolio from 12/31/1991 to 12/31/2001



The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Russell 1000 Growth Index is an unmanaged index composed of common stock of larger U.S. companies with greater-than-average growth orientation and represents the universe of stocks from which "earnings/growth" money managers typically select. The Lehman Brothers Government/Corporate Bond Index is an unmanaged index composed of intermediate and long-term government and investment grade corporate debt securities.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	5-Year	10-Year	
Scudder Total Return Portfolio	–6.09%	1.63%	7.72%	8.21%	(Since 4/6/1982)

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Scudder Total Return Portfolio

	Shares	Value ($)
Common Stocks 59.9%		
Communications 1.7%		
Telephone / Communications		
BellSouth Corp.	133,100	5,077,765
JDS Uniphase Corp.*	150,000	1,309,500
Verizon Communications, Inc.	181,700	8,623,482
		15,010,747
Consumer Discretionary 6.6%		
Department & Chain Stores 5.3%		
Federated Department Stores, Inc.*	97,000	3,967,300
Home Depot, Inc.	138,300	7,054,683
Kohl's Corp.*	75,800	5,339,352
Lowe's Companies, Inc.	112,900	5,239,689
Target Corp.	157,800	6,477,690
TJX Companies, Inc.	122,000	4,862,920
Wal–Mart Stores, Inc.	230,100	13,242,255
		46,183,889
Hotels & Casinos 0.5%		
MGM Mirage, Inc.*	155,900	4,500,833
Recreational Products 0.5%		
Harley–Davidson, Inc.	79,000	4,290,490
Specialty Retail 0.3%		
Office Depot, Inc.*	160,000	2,966,400
Consumer Staples 4.0%		
Alcohol & Tobacco 0.6%		
Philip Morris Companies, Inc.	109,800	5,034,330
Food & Beverage 2.0%		
Hershey Foods Corp.	47,600	3,222,520
Kraft Foods, Inc. "A"	142,000	4,832,260
PepsiCo, Inc.	195,720	9,529,607
		17,584,387
Package Goods / Cosmetics 1.4%		
Colgate–Palmolive Co.	101,400	5,855,850
Procter & Gamble Co.	82,600	6,536,138
		12,391,988
Durables 0.3%		
Aerospace		
Lockheed Martin Corp.	62,200	2,902,874
Energy 3.6%		
Oil & Gas Production 2.7%		
Burlington Resources, Inc.	70,000	2,627,800
Exxon Mobil Corp.	383,758	15,081,689
Royal Dutch Petroleum Co. (New York shares)	116,400	5,705,928
		23,415,417
Oil Companies 0.6%		
BP PLC (ADR)	114,200	5,311,442
Oilfield Services / Equipment 0.3%		
Schlumberger Ltd.	51,000	2,802,450
Financial 9.3%		
Banks 3.0%		
Fifth Third Bancorp.	81,700	5,031,086
J.P. Morgan Chase & Co.	143,000	5,198,050
Mellon Financial Corp.	177,700	6,685,074
Wachovia Corp.	125,000	3,920,000
Wells Fargo & Co.	118,700	5,157,515
		25,991,725
Consumer Finance 2.8%		
American Express Co.	160,000	5,710,400
Citigroup, Inc.	276,899	13,977,862
Household International, Inc.	78,662	4,557,676
		24,245,938
Insurance 3.2%		
American International Group, Inc.	114,937	9,125,998
Hartford Financial Services Group, Inc.	114,200	7,175,186
Jefferson Pilot Corp.	88,074	4,075,184
MetLife, Inc.	106,200	3,364,416
XL Capital Ltd. "A"	44,000	4,019,839
		27,760,623
Other Financial Companies 0.3%		
Fannie Mae	41,200	3,275,400
Health 10.4%		
Biotechnology 1.4%		
Amgen, Inc.*	68,900	3,888,716
Biogen, Inc.*	46,000	2,638,100
Genentech, Inc.*	49,800	2,701,650
MedImmune, Inc.*	68,200	3,161,070
		12,389,536
Health Industry Services 1.3%		
Laboratory Corp. of America Holdings*	64,500	5,214,825
McKesson HBOC, Inc.	159,500	5,965,300
		11,180,125
Medical Supply & Specialty 4.1%		
Abbott Laboratories	175,600	9,789,700
Johnson & Johnson	231,866	13,703,281
Medtronic, Inc.	109,000	5,581,890

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Zimmer Holdings, Inc.*	211,500	6,459,210
		35,534,081
Pharmaceuticals 3.6%		
American Home Products Corp.	120,300	7,381,608
Bristol–Myers Squibb Co.	68,500	3,493,500
Eli Lilly & Co.	47,900	3,762,066
Pfizer, Inc.	356,975	14,225,454
Pharmacia Corp.	60,000	2,559,000
		31,421,628
Manufacturing 7.9%		
Chemicals 1.9%		
Praxair, Inc.	151,300	8,359,325
PPG Industries, Inc.	146,500	7,576,980
		15,936,305
Diversified Manufacturing 4.9%		
Eaton Corp.	68,200	5,074,762
General Electric Co.	318,200	12,753,456
Illinois Tool Works, Inc.	123,735	8,379,334
Minnesota Mining & Manufacturing Co.	69,200	8,180,132
Tyco International Ltd.	149,300	8,793,770
		43,181,454
Machinery / Components / Controls 1.1%		
Johnson Controls, Inc.	53,900	4,352,425
Parker–Hannifin Corp.	117,100	5,376,061
		9,728,486
Media 2.2%		
Advertising 0.5%		
Omnicom Group, Inc.	46,800	4,181,580
Broadcasting & Entertainment 0.6%		
Viacom, Inc. "B"	114,039	5,034,822
Cable TV 0.5%		
Cox Communications, Inc. "A"*	107,000	4,484,370
Print Media 0.6%		
Tribune Co.	132,800	4,970,704
Service Industries 0.9%		
Investment 0.5%		
Goldman Sachs Group, Inc.	45,600	4,229,400
Miscellaneous Commercial Services 0.4%		
Convergys Corp.*	92,000	3,449,080
Technology 11.1%		
Computer Software 3.3%		
Check Point Software Technologies Ltd.*	68,000	2,712,520
Microsoft Corp.	236,300	15,659,601
Oracle Corp.*	368,600	5,090,366

	Shares	Value ($)
PeopleSoft, Inc.*	138,800	5,579,760
		29,042,247
Diverse Electronic Products 0.5%		
Teradyne, Inc.*	136,300	4,108,082
EDP Peripherals 0.4%		
EMC Corp.*	234,900	3,157,056
Electronic Data Processing 1.8%		
International Business Machines Corp.	101,800	12,313,728
Sun Microsystems, Inc.*	308,000	3,803,800
		16,117,528
Precision Instruments 0.5%		
Agilent Technologies, Inc.*	142,000	4,048,420
Semiconductors 3.7%		
Altera Corp.*	124,300	2,637,646
Analog Devices, Inc.*	88,100	3,910,759
Intel Corp.	332,500	10,457,125
Linear Technology Corp.	128,300	5,008,832
Novellus Systems, Inc.*	81,000	3,195,450
Sanmina Corp.*	120,000	2,388,000
Texas Instruments, Inc.	167,900	4,701,200
		32,299,012
Telecommunications Equipment 0.9%		
Cisco Systems, Inc.*	445,000	8,058,950
Transportation 1.9%		
Air Freight 0.8%		
United Parcel Service, Inc. "B"	132,500	7,221,250
Railroads 1.1%		
Union Pacific Corp.	169,900	9,684,300
Total Common Stocks (Cost $456,029,569)		**523,127,349**

	Principal Amount ($)	Value ($)
Corporate Bonds 8.5%		
Communications 1.3%		
Intermedia Communications, Inc., 8.6%, 6/1/2008	1,930,000	1,990,313
McLeod USA, Inc., Step–up Coupon, 0% to 3/1/2002, 10.500% to 3/1/2007*	1,650,000	321,750
Nextel Communications, Inc.:		
9.375%, 11/15/2009	2,080,000	1,643,200
9.5%, 2/1/2011	1,650,000	1,287,000
Qwest Communications International, Inc., 7.0%, 8/3/2009	2,350,000	2,258,115
Rogers Cantel, Inc., 8.8%, 10/1/2007	2,100,000	2,037,000
Verizon Wireless, Inc., 5.125%, 12/15/2006	1,675,000	1,667,325
		11,204,703

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Construction 0.3%		
Del Webb Corp., 9.75%, 1/15/2008	2,250,000	2,359,688
Consumer Discretionary 0.5%		
MGM Mirage, Inc., 9.75%, 6/1/2007	1,450,000	1,518,875
Park Place Entertainment, Inc., 8.5%, 11/15/2006	1,000,000	1,039,204
Wal–Mart Stores, Inc., 6.875%, 8/10/2009	1,625,000	1,742,260
		4,300,339
Consumer Staples 0.5%		
Delhaize America, Inc., 8.125%, 4/15/2011	2,550,000	2,805,760
Pepsi Bottling Holdings, Inc., 5.625%, 2/17/2009	1,625,000	1,605,094
		4,410,854
Energy 1.5%		
Burlington Resources, Inc., 6.5%, 12/1/2011	1,925,000	1,878,069
Conoco Funding Co., 6.35%, 10/15/2011	2,550,000	2,582,870
Devon Financing Corp., 6.875%, 9/30/2011	1,800,000	1,754,316
KeySpan Corp., 7.625%, 11/15/2010	1,750,000	1,900,395
Petroleum Geo–Services, 7.5%, 3/31/2007	1,625,000	1,537,900
Phillips Petroleum Co., 8.75%, 5/25/2010	1,625,000	1,891,500
Texas Eastern Transmission Corp., 7.3%, 12/1/2010	1,625,000	1,710,703
		13,255,753
Financial 2.0%		
Capital One Financial Corp., 6.875%, 2/1/2006	1,375,000	1,338,961
Citigroup, Inc., 7.25%, 10/1/2010	1,625,000	1,743,024
Countrywide Home Loans, 5.5%, 8/1/2006	2,550,000	2,543,600
Firstar Bank NA, 7.125%, 12/1/2009	800,000	846,104
FleetBoston Financial Corp., Series 2000-C, 7.25%, 9/15/2005	1,450,000	1,560,621
Ford Motor Credit Co., 7.6%, 8/1/2005	1,450,000	1,491,557
General Electric Capital Corp., 6.5%, 12/10/2007	1,625,000	1,745,900
General Motors Accept Corp., 6.875%, 9/15/2011	2,550,000	2,494,028
PNC Funding Corp., 5.75%, 8/1/2006	1,825,000	1,859,401

	Principal Amount ($)	Value ($)
Wells Fargo & Co.:		
7.25%, 8/24/2005	1,625,000	1,747,769
7.55%, 6/21/2010	625,000	684,594
		18,055,559
Health 0.2%		
Magellan Health Services, Inc., 9%, 2/15/2008	1,770,000	1,575,300
Manufacturing 0.7%		
Dow Chemical Co., 7%, 8/15/2005	1,625,000	1,743,138
International Paper Co., 8%, 7/8/2003	1,625,000	1,729,959
Plainwell, Inc., 11%, 3/1/2008*	1,020,000	10,200
Tyco International Group SA, 6.375%, 10/15/2011	2,550,000	2,494,410
		5,977,707
Media 0.7%		
Cablevision Systems Corp., 7.875%, 12/15/2007	2,000,000	2,060,822
Comcast Cable Communications, 7.125%, 6/15/2013	650,000	664,580
News America Holdings, Inc., 9.25%, 2/1/2013	800,000	919,248
Sinclair Broadcasting Group, Inc., 8.75%, 12/15/2007	850,000	847,875
Time Warner, Inc., 9.125%, 1/15/2013	1,625,000	1,923,041
		6,415,566
Technology 0.0%		
PSINet, Inc.:		
10%, 2/15/2005*	810,000	60,750
11.5%, 11/1/2008*	1,040,000	78,000
		138,750
Utilities 0.8%		
Alabama Power Co., 7.125%, 8/15/2004	800,000	846,848
DTE Energy Co., 6.45%, 6/1/2006	1,550,000	1,589,618
Pacificorp, 6.9%, 11/15/2011	1,700,000	1,701,224
Progress Energy, Inc., 6.75%, 3/1/2006	2,550,000	2,650,215
		6,787,905
Total Corporate Bonds (Cost $77,928,089)		**74,482,124**
Asset-Backed 0.7%		
Citibank Credit Card Issuance Trust, Series 2000–A1, 6.9%, 10/17/2007	1,750,000	1,873,344
Daimler Chrysler Auto Trust, Series 2000–C, "A3", 6.82%, 9/6/2004	2,000,000	2,071,919

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
MBNA Master Credit Card Trust, Series 2000–I, “A”, 6.9%, 1/15/2008	2,050,000	2,193,402
Total Asset-Backed (Cost $5,797,971)		**6,138,665**

Foreign Bonds — U.S.$ Denominated 0.3%		
Global Telesystems, Inc., 11.5%, 12/15/2007*	630,000	1,575
MetroNet Communications Corp., Step–up Coupon, 0% to 06/15/2003, 9.95% to 6/15/2008	1,900,000	957,146
Quebec Province, 7%, 1/30/2007	1,500,000	1,616,670
Total Foreign Bonds — U.S.$ Denominated (Cost $3,979,492)		**2,575,391**

U.S. Government & Agencies Obligations 17.4%		
U.S. Treasury Bonds:		
5.0%, 8/15/2011	1,000,000	996,870
5.375%, 2/15/2031	6,300,000	6,208,461
6.125%, 8/15/2029	6,350,000	6,721,094
6.25%, 5/15/2030	5,150,000	5,573,279
9.375%, 2/15/2006	33,275,000	39,659,474
U.S. Treasury Notes:		
4.625%, 5/15/2006	5,905,000	5,985,249
5.75%, 11/15/2005	20,780,000	21,945,550
5.75%, 8/15/2010	12,215,000	12,814,268
6.25%, 2/15/2003	8,000,000	8,353,760
6.75%, 5/15/2005	40,110,000	43,607,191
Total U.S. Government & Agencies Obligations (Cost $145,619,817)		**151,865,196**

	Principal Amount ($)	Value ($)
Government National Mortgage Association 2.1%		
Government National Mortgage Association:		
6.5% with various maturities until 11/20/2031	6,531,422	6,558,964
7.0% with various maturities until 6/15/2028	8,030,763	8,221,494
7.5%, 12/20/2030	3,425,024	3,534,899
Total Government National Mortgage Association (Cost $17,809,221)		**18,315,357**

U.S. Government Agency Pass-Thrus 6.6%		
Federal National Mortgage Association:		
5.25%, 6/15/2006	2,875,000	2,927,555
6.0%, 1/1/2032	3,575,000	3,500,533
6.5% with various maturities until 11/1/2031	17,053,121	17,074,779
7.0% with various maturities until 1/1/2032	23,354,476	24,465,195
7.5% with various maturities until 8/1/2031	7,490,785	7,763,468
8.0%, 9/1/2015	1,688,632	1,766,816
Total U.S. Government Agency Pass-Thrus (Cost $56,257,619)		**57,498,346**

Cash Equivalents 4.5%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $38,719,178)	38,719,178	**38,719,178**
Total Investment Portfolio — 100.0% (Cost $802,140,956) (a)		**872,721,606**

Notes to Scudder Total Return Portfolio of Investments

* *Non-income producing security. In the case of a bond, generally denotes the issuer has defaulted on the payment of principal or interest or has filed for bankruptcy.*

(a) *The cost for federal income tax purposes was $809,319,629. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $63,401,977. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $84,309,522 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $20,907,545.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at December 31, 2001.*

Included in the portfolio are investments in mortgage or asset–backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and the Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $802,140,956)	$	872,721,606
Receivable for investments sold		166,741
Dividends receivable		435,140
Interest receivable		4,660,696
Receivable for Portfolio shares sold		429,827
Foreign taxes recoverable		24,096
Total assets		878,438,106
Liabilities		
Payable for investments purchased		16,166,816
Payable for Portfolio shares redeemed		632,330
Accrued management fee		423,842
Other accrued expenses and payables		202,597
Total liabilities		17,425,585
Net assets, at value	**$**	**861,012,521**
Net Assets		
Net assets consist of:		
Undistributed net investment income (loss)		21,251,953
Net unrealized appreciation (depreciation) on:		
Investments		70,580,650
Foreign currency related transactions		(1,673)
Accumulated net realized gain (loss)		(64,454,449)
Paid-in capital		833,636,040
Net assets, at value	**$**	**861,012,521**
Net Asset Value and redemption price per share ($861,012,521 ÷ 38,151,295 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**22.57**

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $2,829)	$	4,721,561
Interest		22,576,811
Total Income		27,298,372
Expenses:		
Management fee		4,678,125
Custodian fees		37,221
Auditing		110,833
Legal		44,027
Trustees' fees and expenses		43,394
Other		25,031
Total expenses, before expense reductions		4,938,631
Expense reductions		(763)
Total expenses, after expense reductions		4,937,868
Net investment income (loss)		**22,360,504**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(56,868,308)
Foreign currency related transactions		(1,969)
		(56,870,277)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(21,281,027)
Foreign currency related transactions		1,207
		(21,279,820)
Net gain (loss) on investment transactions		**(78,150,097)**
Net increase (decrease) in net assets resulting from operations	**$**	**(55,789,593)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 22,360,504	$ 24,855,323
Net realized gain (loss) on investment transactions	(56,870,277)	29,572,830
Net unrealized appreciation (depreciation) on investment transactions during the period	(21,279,820)	(77,942,993)
Net increase (decrease) in net assets resulting from operations	(55,789,593)	(23,514,840)
Distributions to shareholders from:		
Net investment income	(25,554,195)	(29,012,969)
Net realized gains	(30,345,606)	(43,519,453)
Portfolio share transactions:		
Proceeds from shares sold	64,222,667	17,090,676
Net assets acquired in tax-free reorganizations	109,998,831	—
Reinvestment of distributions	55,899,801	72,532,422
Cost of shares redeemed	(108,028,606)	(95,451,365)
Net increase (decrease) in net assets from Portfolio share transactions	122,092,693	(5,828,267)
Increase (decrease) in net assets	10,403,299	(101,875,529)
Net assets at beginning of period	850,609,222	952,484,751
Net assets at end of period (including undistributed net investment income of $21,251,953 and $24,053,463, respectively)	**$ 861,012,521**	**$ 850,609,222**

Other Information[a]

Shares outstanding at beginning of period	32,828,444	33,047,701
Shares sold	2,830,464	628,530
Shares issued in tax-free reorganization	4,693,137	—
Shares issued to shareholders in reinvestment of distributions	2,497,199	2,680,132
Shares redeemed	(4,697,949)	(3,527,919)
Net increase (decrease) in Portfolio shares	5,322,851	(219,257)
Shares outstanding at end of period	**38,151,295**	**32,828,444**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001[a]	2000[b]	1999[b]	1998[b]	1997[b]
Selected Per Share Data					
Net asset value, beginning of period	**$ 25.91**	**$ 28.82**	**$ 27.35**	**$ 28.22**	**$ 28.15**
Income (loss) from investment operations:					
Net investment income	.61[c]	.74[c]	.84[c]	.86	.90
Net realized and unrealized gain (loss) on investment transactions	(2.20)	(1.40)	3.03	3.17	3.77
Total from investment operations	(1.59)	(.66)	3.87	4.03	4.67
Less distributions from:					
Net investment income	(.80)	(.90)	(.90)	(.90)	(.90)
Net realized gains on investment transactions	(.95)	(1.35)	(1.50)	(4.00)	(3.70)
Total distributions	(1.75)	(2.25)	(2.40)	(4.90)	(4.60)
Net asset value, end of period	**$ 22.57**	**$ 25.91**	**$ 28.82**	**$ 27.35**	**$ 28.22**
Total Return (%)	(6.09)	(2.63)	14.81	15.14	19.96
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	861	851	952	865	787
Ratio of expenses (%)	.58	.61	.61	.60	.60
Ratio of net investment income (loss) (%)	2.63	2.75	3.12	3.33	3.32
Portfolio turnover rate (%)	115	107	80	81	122

[a] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by $.03, increase net realized and unrealized gains and losses per share by $.03 and decrease the ratio of net investment income to average net assets from 2.76% to 2.63%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

[b] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[c] *Based on average shares outstanding during the period.*

SVS Dreman Financial Services Portfolio

Last year was a difficult investment environment, and financial stocks struggled. The portfolio lost ground during the year, but strongly outperformed on a relative basis. The portfolio lost 4.86 percent versus the 8.79 percent loss by its benchmark, the Standard & Poor's Financial Index, a gauge of performance for the financial companies within the S&P 500. We attribute the outperformance to our more conservative portfolio. Our investment criteria preclude us from participating in some of the more speculative areas of the financial sector. We never invested in second tier lending companies — those that offer credit to riskier clients. Nor did we take part in the frenzy around some of the formerly high-flying, on-line brokers, which endured deep losses in 2001.

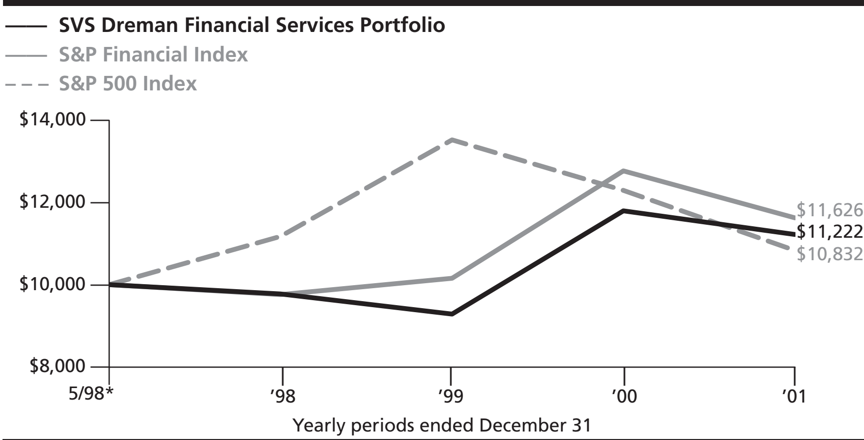
As contrarian value investors, we look for financial services companies whose stocks have fallen out of favor but are fundamentally sound companies with strong balance sheets. The dramatic declines that followed the events of September 11 provided us with the opportunity to add solid companies at deeply discounted prices We increased our position in multiline insurer American International Group (AIG). We also restructured our regional bank portfolio adding to those holdings that we believe provide the best upside potential. Despite the tough environment Fannie Mae and Freddie Mac, two of the portfolio's largest and longest-held names, continued to post strongly positive earnings, but their stock price performance was lackluster for the 12-month period. We firmly believe that the setback is temporary and that these issues, which have lower price-to-earnings ratios and faster growth rates than many top-growth companies, will surge ahead once again.

We expect the markets to remain volatile as political and economic uncertainty remains, but we're optimistic that we'll see some economic improvement in 2002. We intend to keep the portfolio defensively positioned until the timing of a recovery becomes clearer. We will remain underweight, relative to the benchmark, in large money center banks, which we believe have greater exposure to foreign loan defaults. And as we find opportunities, we will continue to build our position in good financial stocks that we believe to be undervalued.

David N. Dreman, Lead Portfolio Manager

Dreman Value Management LLC, Subadvisor to the Portfolio

Growth of an Assumed $10,000 Investment in SVS Dreman Financial Services Portfolio from 5/4/1998 to 12/31/2001



The Standard & Poor's (S&P) Financial Index is an unmanaged index generally representative of the financial stock market. The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	Life of Portfolio	
SVS Dreman Financial Services Portfolio	–4.86%	4.70%	3.20%	(Since 5/4/1998)

* *The Portfolio commenced operations on May 4, 1998. Index comparisons begin April 30, 1998.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*
The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.
The portfolio may concentrate investments in specific sectors, which creates special risk considerations.
Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Dreman Financial Services Portfolio

	Shares	Value ($)
Common Stocks 94.0%		
Financial 92.6%		
Banks 35.0%		
Bank of America Corp.	88,273	5,556,785
Bank One Corp.	22,952	896,276
Banknorth Group, Inc.	38,600	869,272
Colonial BancGroup, Inc.	69,850	984,187
Corus Bankshares, Inc.	22,950	1,041,930
FleetBoston Financial Corp.	97,249	3,549,589
Golden West Financial Corp.	12,100	712,085
J.P. Morgan Chase & Co.	127,995	4,652,618
KeyCorp	145,475	3,540,862
Mellon Financial Corp.	42,700	1,606,374
National Bank of Canada	134,100	2,501,740
PNC Bank Corp.	53,950	3,031,990
Popular, Inc.	39,800	1,157,384
Provident Financial Group	24,215	636,370
U.S. Bancorp	240,700	5,037,851
Wachovia Corp.	116,100	3,640,896
Wells Fargo & Co.	42,500	1,846,625
		41,262,834
Consumer Finance 9.4%		
American Express Co.	147,700	5,271,413
Citigroup, Inc.	114,700	5,790,056
		11,061,469
Insurance 24.9%		
Aegon NV (ADR)	17,160	459,369
Allstate Corp.	32,405	1,092,049
American International Group, Inc.	183,273	14,551,876
Chubb Corp.	40,450	2,791,050
CIGNA Corp.	6,300	583,695
Jefferson–Pilot Corp.	9,912	458,628
Lincoln National Corp.	17,350	842,690
Ohio Casualty Corp.*	121,900	1,956,495
Principal Financial Group, Inc.*	32,000	768,000
Prudential Financial, Inc.*	39,000	1,294,410
Safeco Corp.	75,750	2,359,613
St. Paul Companies, Inc.	35,050	1,541,149
Torchmark Corp.	15,750	619,448
		29,318,472
Other Financial Companies 23.3%		
Fannie Mae	111,940	8,899,230
Freddie Mac	126,895	8,298,933
Marsh & McLennan Companies, Inc.	17,050	1,832,023
USA Education, Inc.	11,050	928,421
Washington Mutual, Inc.	227,080	7,425,516
		27,384,123
Service Industries 1.4%		
Investment 1.3%		
Bear Stearns Companies, Inc.	15,540	911,266
Franklin Resources , Inc.	18,550	654,259
		1,565,525
Miscellaneous Commercial Services 0.1%		
Corrections Corp. of America*	8,060	149,594
Total Common Stocks (Cost $103,859,034)		**110,742,017**
Convertible Preferred Stocks 0.2%		
Service Industries		
Miscellaneous Commercial Services		
Corrections Corp. of America, PIK (Cost $180,522)	10,714	**210,532**

	Principal Amount ($)	Value ($)
Cash Equivalents 5.8%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $6,785,522)	6,785,522	**6,785,522**
Total Investment Portfolio — 100.0% (Cost $110,825,078) (a)		**117,738,071**

Notes to SVS Dreman Financial Services Portfolio of Investments

* *Non–income producing security.*

(a) *The cost for federal income tax purposes was $111,412,012. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $6,326,059. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $8,675,146 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,349,087.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

PIK denotes that interest or dividends are paid in kind.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $110,825,078)	$	117,738,071
Cash		10,000
Dividends receivable		140,284
Interest receivable		8,300
Receivable for Portfolio shares sold		223,270
Foreign taxes recoverable		561
Total assets		118,120,486

Liabilities

Payable for investments purchased		843,959
Payable for Portfolio shares redeemed		138,012
Accrued management fee		71,150
Other accrued expenses and payables		19,987
Total liabilities		1,073,108
Net assets, at value	**$**	**117,047,378**

Net Assets

Net assets consist of:		
Undistributed net investment income (loss)		953,975
Net unrealized appreciation (depreciation) on:		
Investments		6,912,993
Foreign currency related transactions		(61)
Accumulated net realized gain (loss)		(3,099,600)
Paid-in capital		112,280,071
Net assets, at value	**$**	**117,047,378**
Net Asset Value and redemption price per share ($117,047,378 ÷ 10,853,999 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.78**

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $12,896)	$	1,694,792
Interest		188,461
Total Income		1,883,253
Expenses:		
Management fee		650,194
Custodian and accounting fees		57,686
Auditing		13,060
Legal		5,519
Trustees' fees and expenses		5,079
Reports to shareholders		13,359
Other		2,670
Total expenses before expense reductions		747,567
Expense reductions		(1,068)
Total expenses after expense reductions		746,499
Net investment income (loss)		**1,136,754**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		(2,725,443)
Foreign currency related transactions		86
		(2,725,357)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(1,707,997)
Foreign currency related transactions		(61)
		(1,708,058)
Net gain (loss) on investment transactions		**(4,433,415)**
Net increase (decrease) in net assets resulting from operations	**$**	**(3,296,661)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 1,136,754	$ 819,945
Net realized gain (loss) on investment transactions	(2,725,357)	33,637
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,708,058)	10,768,704
Net increase (decrease) in net assets resulting from operations	(3,296,661)	11,622,286
Distributions to shareholders from:		
Net investment income	(854,423)	(497,354)
Net realized gains	(328,624)	(66,314)
Portfolio share transactions:		
Proceeds from shares sold	73,966,750	37,137,247
Reinvestment of distributions	1,183,047	563,668
Cost of shares redeemed	(19,481,552)	(10,219,358)
Net increase (decrease) in net assets from Portfolio share transactions	55,668,245	27,481,557
Increase (decrease) in net assets	51,188,537	38,540,175
Net assets at beginning of period	65,858,841	27,318,666
Net assets at end of period (including undistributed net investment income of $953,975 and $714,165, respectively)	**$ 117,047,378**	**$ 65,858,841**

Other Information[a]

Shares outstanding at beginning of period	5,713,070	2,955,670
Shares sold	6,837,995	3,787,834
Shares issued to shareholders in reinvestment of distributions	114,361	61,573
Shares redeemed	(1,811,427)	(1,092,007)
Net increase (decrease) in Portfolio shares	5,140,929	2,757,400
Shares outstanding at end of period	**10,853,999**	**5,713,070**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a,b]
Selected Per Share Data				
Net asset value, beginning of period	**$ 11.53**	**$ 9.24**	**$ 9.78**	**$ 10.00**
Income (loss) from investment operations:				
Net investment income	.14[c]	.19[c]	**.18**[c]	.04
Net realized and unrealized gain (loss) on investment transactions	(.71)	2.27	(.67)	(.26)
Total from investment operations	(.57)	2.46	(.49)	(.22)
Less distributions from:				
Net investment income	(.13)	(.15)	(.05)	—
Net realized gains on investment transactions	(.05)	(.02)	—	—
Total distributions	(.18)	(.17)	(.05)	—
Net asset value, end of period	**$ 10.78**	**$ 11.53**	**$ 9.24**	**$ 9.78**
Total Return (%)	(4.86)	27.04	(5.05)[d]	(2.20)[d]**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	117	66	27	16*
Ratio of expenses before expense reductions (%)	.86	.91	1.04	1.73*
Ratio of expenses after expense reductions (%)	.86	.89	.99	.99*
Ratio of net investment income (loss) (%)	1.31	2.01	1.75	1.29*
Portfolio turnover rate (%)	22	13	13	6*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *For the period from May 4, 1998 (commencement of operations) to December 31, 1998.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

SVS Dreman High Return Equity Portfolio

Last year was an extremely difficult investment environment. Nearly all stocks declined, but large value stocks weathered the storm better than large growth stocks.

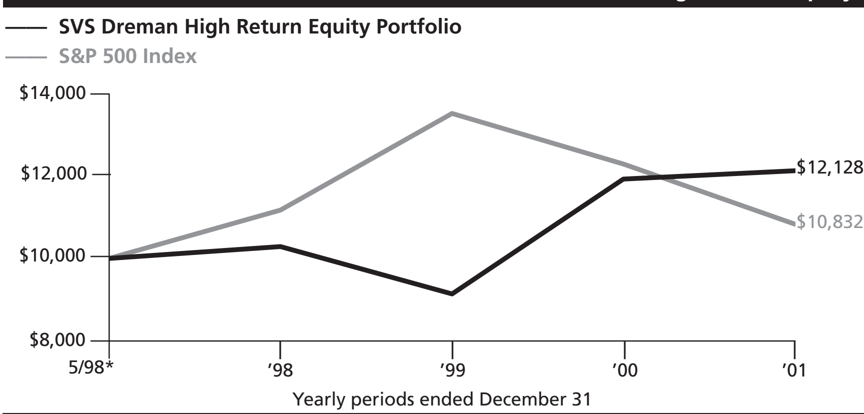
Despite the market and economic challenges, the portfolio posted strong relative performance, gaining 1.69 percent versus the 11.88 percent loss by its benchmark, the Standard & Poor's 500. The S&P 500 is an unmanaged group of large-cap stocks (growth and value) that are representative of the U.S. stock market. We attribute this outperformance to our strictly disciplined value investing strategy, which we believe is the key to providing greater value to shareholders over time.

We used the extreme market volatility to add quality blue chip companies from a variety of market sectors at deeply discounted valuations. Although we're enthusiastic about the gains already posted by these investments, we're exercising extreme caution by building the positions slowly and keeping a close watch on their performance. We don't want to add stocks that are cheap and destined to become cheaper. We're looking for the companies that will be the clear survivors when the economy and markets turn. The portfolio's core concentration continues to be financials, tobacco, energy and health care but it is less concentrated in those sectors than it has been in the past. We've added to retail and capital goods stocks and created a new position in casino companies. In health care, we switched our focus to large pharmaceutical companies from health care service providers that had posted strong gains over the last several years.

We expect the markets to remain volatile as political and economic uncertainty remains, but we're optimistic that we'll see some overall economic improvement in 2002. We don't expect a quick recovery. We're anticipating a muted one that could take many months to work through. In the meantime, we'll continue to be vigilant in looking for solid investment opportunities to further enhance the portfolio's performance.

David N. Dreman, Lead Portfolio Manager
Dreman Value Management LLC
Subadvisor to the Portfolio

Growth of an Assumed $10,000 Investment in SVS Dreman High Return Equity Portfolio from 5/4/1998 to 12/31/2001



The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	Life of Portfolio	
SVS Dreman High Return Equity Portfolio	1.69%	5.65%	5.41%	(Since 5/4/1998)

* *The Portfolio commenced operations on May 4, 1998. Index comparison begins April 30, 1998.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Dreman High Return Equity Portfolio

	Shares	Value ($)
Common Stocks 89.5%		
Consumer Discretionary 10.5%		
Department & Chain Stores 4.8%		
Federated Department Stores, Inc.*	102,505	4,192,455
Gap, Inc.	1,110,920	15,486,225
Nordstrom, Inc.	73,575	1,488,422
		21,167,102
Hotels & Casinos 0.9%		
Harrah's Entertainment, Inc.*	4,800	177,648
MGM Mirage, Inc.*	119,200	3,441,304
Park Place Entertainment Corp.*	24,400	223,748
		3,842,700
Specialty Retail 4.8%		
Borders Group, Inc.*	478,950	9,502,368
Staples, Inc.*	266,225	4,978,408
Toys ''R'' Us, Inc.*	331,490	6,875,103
		21,355,879
Consumer Staples 20.7%		
Alcohol & Tobacco		
Imperial Tobacco Group (ADR)	74,045	1,986,627
Philip Morris Companies, Inc.	965,320	44,259,922
R.J. Reynolds Tobacco Holdings, Inc.	296,723	16,705,505
Universal Corp.	225,070	8,194,799
UST, Inc.	589,540	20,633,900
		91,780,753
Durables 2.6%		
Aerospace 1.0%		
Boeing Co.	109,250	4,236,715
Automobiles 0.9%		
Ford Motor Co.	243,500	3,827,820
Telecommunications Equipment 0.7%		
Lucent Technologies, Inc.	315,450	1,984,181
Nortel Networks Corp.	181,670	1,362,525
		3,346,706

	Shares	Value ($)
Energy 11.8%		
Oil & Gas Production 5.9%		
Conoco, Inc.	746,195	21,117,319
Kerr–McGee Corp.	81,550	4,468,940
Nabors Industries, Inc.*	17,050	585,327
		26,171,586
Oil Companies 5.7%		
BP PLC (ADR)	134,444	6,252,990
ChevronTexaco Corp.	212,875	19,075,742
		25,328,732
Oilfield Services / Equipment 0.2%		
GlobalSantaFe Corp.	37,700	1,075,204
Financial 25.6%		
Banks 7.9%		
Bank of America Corp.	132,436	8,336,846
Bank One Corp.	154,455	6,031,468
FleetBoston Financial Corp.	101,788	3,715,262
KeyCorp	280,855	6,836,011
PNC Bank Corp.	84,284	4,736,761
Wachovia Corp.	177,386	5,562,825
		35,219,173
Consumer Finance 0.5%		
American Express Co.	56,800	2,027,188
Insurance 1.3%		
Ohio Casualty Corp.*	25,155	403,738
Phoenix Companies, Inc.*	18,765	347,153
Principal Financial Group, Inc.*	2,400	57,600
Safeco Corp.	64,215	2,000,297
St. Paul Companies, Inc.	70,405	3,095,708
		5,904,496
Other Financial Companies 15.9%		
Fannie Mae	319,673	25,414,004
Freddie Mac	407,341	26,640,101
Washington Mutual, Inc.	567,125	18,544,988
		70,599,093

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Health 10.0%		
Health Industry Services 2.9%		
Humana, Inc.*	862,930	10,173,945
McKesson, Inc.	70,500	2,636,700
		12,810,645
Medical Supply & Specialty 0.1%		
Zimmer Holdings, Inc.*	10,573	322,899
Pharmaceuticals 7.0%		
Bristol–Myers Squibb Co.	201,885	10,296,135
Merck & Co., Inc.	193,620	11,384,856
Schering–Plough Corp.	258,415	9,253,841
		30,934,832
Manufacturing 1.7%		
Electrical Products 1.7%		
Emerson Electric Co.	132,900	7,588,590
Office Equipment / Supplies 0.0%		
Xerox Corp.	11,700	121,914
Service Industries 2.7%		
Environmental Services 2.6%		
Transocean Sedco Forex, Inc.	154,200	5,215,044
Waste Management, Inc.	201,765	6,438,321
		11,653,365
Miscellaneous Commercial Services 0.1%		
Corrections Corp. of America*	13,306	246,959
Technology 3.9%		
Computer Software 0.5%		
Oracle Corp.*	164,775	2,275,543
Diverse Electronic Products 0.4%		
Motorola, Inc.	117,540	1,765,451
Electronic Data Processing 2.5%		
Apple Computer, Inc.*	205,525	4,500,998
Hewlett–Packard Co.	312,580	6,420,393
		10,921,391
Semiconductors 0.5%		
Intel Corp.	78,920	2,482,034
Utilities 0.0%		
Natural Gas Distribution		
NiSource, Inc.*	43,290	100,433
Total Common Stocks (Cost $386,399,277)		**397,107,203**

Convertible Preferred Stocks 0.1%	Shares	Value ($)
Service Industries		
Miscellaneous Commercial Services		
Corrections Corp. of America, PIK (Cost $217,473)	12,907	**253,630**

	Principal Amount ($)	Value ($)
Cash Equivalents 10.4%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $45,958,494)	45,958,494	**45,958,494**
Total Investment Portfolio — 100.0% (Cost $432,575,244) (a)		**443,319,327**

Notes to SVS Dreman High Return Equity Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $434,162,385. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $9,156,942. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $25,609,737 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $16,452,795.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

At December 31, 2001, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)
S&P 500 Index Future	3/16/2002	71	20,146,130	20,359,250
Total unrealized appreciation on open futures contracts purchased				**213,120**

PIK denotes that interest or dividends are paid in kind.

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $432,575,244)	$ 443,319,327
Cash	10,000
Pledged margin deposit	960,750
Dividends receivable	1,008,195
Interest receivable	70,426
Receivable for Portfolio shares sold	2,031,647
Total assets	447,400,345

Liabilities

Payable for investments purchased	3,454,480
Payable for daily variation margin on open futures contracts	219,649
Accrued management fee	259,286
Other accrued expenses and payables	70,477
Total liabilities	4,003,892
Net assets, at value	**$ 443,396,453**

Net Assets

Net assets consist of:	
Undistributed net investment income	4,477,378
Net unrealized appreciation (depreciation) on:	
Investments	10,744,083
Futures	213,120
Accumulated net realized gain (loss)	(648,410)
Paid-in capital	428,610,282
Net assets, at value	**$ 443,396,453**
Net Asset Value and redemption price per share ($443,396,453 ÷ 41,005,810 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 10.81**

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:	
Dividends (net of foreign taxes withheld of $13,634)	$ 6,014,707
Interest	1,073,436
Total Income	7,088,143
Expenses:	
Management fee	2,030,660
Custodian and accounting fees	100,710
Auditing	36,647
Legal	13,585
Trustees' fees and expenses	9,665
Reports to shareholders	26,563
Other	13,878
Total expenses before expense reductions	2,231,708
Expense reductions	(211)
Total expenses after expense reductions	2,231,497
Net investment income (loss)	**4,856,646**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	3,959,228
Futures	(2,811,868)
	1,147,360
Net unrealized appreciation (depreciation) during the period on:	
Investments	(2,654,633)
Futures	213,120
	(2,441,513)
Net gain (loss) on investment transactions	**(1,294,153)**
Net increase (decrease) in net assets resulting from operations	**$ 3,562,493**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 4,856,646	$ 3,402,482
Net realized gain (loss) on investment transactions	1,147,360	(1,077,610)
Net unrealized appreciation (depreciation) on investment transactions during the period	(2,441,513)	31,915,716
Net increase (decrease) in net assets resulting from operations	3,562,493	34,240,588
Distributions to shareholders from:		
Net investment income	(2,559,657)	(2,301,095)
Net realized gains	—	(5,752,737)
Portfolio share transactions:		
Proceeds from shares sold	283,269,260	44,557,632
Reinvestment of distributions	2,559,657	8,053,832
Cost of shares redeemed	(11,369,786)	(24,311,394)
Net increase (decrease) in net assets from Portfolio share transactions	274,459,131	28,300,070
Increase (decrease) in net assets	275,461,967	54,486,826
Net assets at beginning of period	167,934,486	113,447,660
Net assets at end of period (including undistributed net investment income of $4,477,378 and $2,180,389, respectively)	**$ 443,396,453**	**$ 167,934,486**

Other Information[a]

Shares outstanding at beginning of period	15,588,218	12,655,334
Shares sold	26,260,433	4,768,093
Shares issued to shareholders in reinvestment of distributions	245,103	990,570
Shares redeemed	(1,087,944)	(2,825,779)
Net increase (decrease) in Portfolio shares	25,417,592	2,932,884
Shares outstanding at end of period	**41,005,810**	**15,588,218**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a,b]
Selected Per Share Data				
Net asset value, beginning of period	**$ 10.77**	**$ 8.96**	**$ 10.28**	**$ 10.00**
Income (loss) from investment operations:				
Net investment income	.19[c]	.26[c]	.26[c]	.08
Net realized and unrealized gain (loss) on investment transactions	(.01)	2.25	(1.38)	.20
Total from investment operations	.18	2.51	(1.12)	.28
Less distributions from:				
Net investment income	(.14)	(.20)	(.10)	—
Net realized gains on investment transactions	—	(.50)	(.10)	—
Total distributions	(.14)	(.70)	(.20)	—
Net asset value, end of period	**$ 10.81**	**$ 10.77**	**$ 8.96**	**$ 10.28**
Total Return (%)	1.69	30.52	(11.16)	2.80[d]**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	443	168	113	59
Ratio of expenses before expense reductions (%)	.82	.85	.86	1.20*
Ratio of expenses after expense reductions (%)	.82	.84	.86	.87*
Ratio of net investment income (loss) (%)	1.78	2.85	2.57	2.77*
Portfolio turnover rate (%)	16	37	24	5*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *For the period from May 4, 1998 (commencement of operations) to December 31, 1998.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

SVS Dynamic Growth Portfolio

Since inception through December 31, 2001, the portfolio declined by 12.00 percent, underperforming the Russell Mid Cap Growth Index.

The bear market in stocks had investors growing increasingly risk averse, a sentiment that led to growth stocks being out of favor. In particular, the telecommunications and technology sectors, two areas that enjoyed rapid growth during the late 1990s, declined sharply during the period. For most of the year, the portfolio's overweight exposure in those areas hindered performance. (The portfolio's financial services stocks also endured a challenging year.)

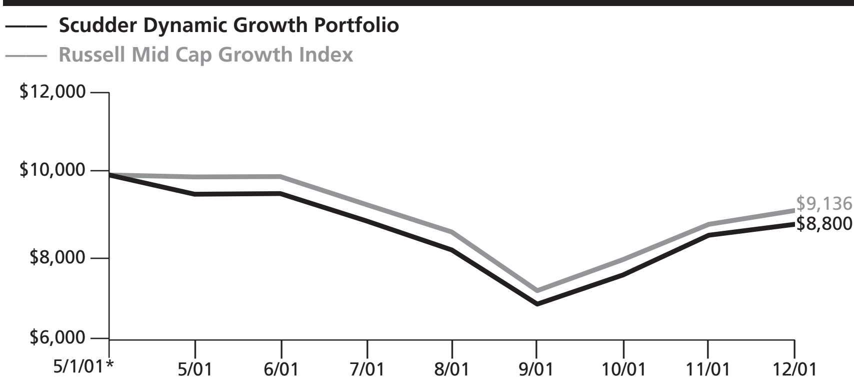
Meanwhile, the portfolio's exposure to basic materials, health care and utilities — areas often regarded as more defensive sectors — performed well during 2001. During the fourth quarter, the market's tone improved, and investors became more optimistic about an economic recovery during 2002. This change in sentiment bolstered the portfolio's consumer discretionary stocks. On the positive side, our pharmaceutical and device stocks in health care were strong contributors for the year, as were retailers and others in the consumer sector.

We remain optimistic that the economy will recover in the coming year, and that all sectors will benefit. Furthermore, we are confident that corporate earnings will improve dramatically to the surprise of many observers.

We have positioned the portfolio to capitalize on the renewed expansion, emphasizing companies in the semiconductor, software, asset management, brokerage and industrial sectors, while maintaining significant exposure to consumer discretionary companies. Conversely, we have continued to decrease our exposure to the more defensive health care and financial services companies, as we believe better opportunities exist elsewhere.

Timothy J. Miller
Thomas R. Wald
Portfolio Managers
INVESCO, Subadvisor to the Portfolio

Growth of an Assumed $10,000 Investment in Scudder Dynamic Growth Portfolio from 5/1/2001 to 12/31/2001



Russell Midcap Growth Index is an unmanaged index composed of common stocks of midcap companies with higher price-to-book ratios and higher forecasted growth values.

Cumulative Total Return[1]

For the periods ended December 31, 2001	Life of Portfolio	
SVS Dynamic Growth Portfolio	–12.00%	(Since 5/1/2001)

* *The Portfolio commenced operations on May 1, 2001. Index comparison begins April 30, 2001.*

[1] *Total return measures net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Dynamic Growth Portfolio

	Shares	Value ($)
Common Stocks 91.6%		
Communications 4.5%		
Cellular Telephone 1.0%		
Nextel Partners, Inc.*	14,800	177,600
Western Wireless Corp.*	2,300	64,975
		242,575
Telephone / Communications 3.5%		
Allegiance Telecom, Inc.*	14,400	119,376
Crown Castle International Corp.*	9,600	102,528
Entercom Communications Corp.	4,000	200,000
JDS Uniphase Corp.*	10,500	91,665
Sonus Networks, Inc.*	10,100	46,662
Time Warner Telecom, Inc. "A"*	13,100	231,739
		791,970
Consumer Discretionary 4.1%		
Apparel & Shoes 0.3%		
American Eagle Outfitters, Inc.*	2,800	73,276
Department & Chain Stores 1.7%		
Best Buy Co., Inc.*	2,200	163,856
Kohl's Corp.*	3,150	221,886
		385,742
Hotels & Casinos 0.7%		
MGM Mirage, Inc.*	5,650	163,116
Specialty Retail 1.4%		
CDW Computer Centers, Inc.*	4,250	228,268
Office Depot, Inc.*	5,100	94,554
		322,822
Consumer Staples 0.2%		
Package Goods / Cosmetics		
Estee Lauder Companies, Inc. "A"	1,500	48,090
Durables 0.8%		
Aerospace 0.7%		
General Dynamics Corp.	1,200	95,568
Northrop Grumman Corp.	700	70,566
		166,134
Telecommunications Equipment 0.1%		
CIENA Corp.*	2,300	32,913
Energy 4.2%		
Oil / Gas Transmission 0.2%		
Dynegy, Inc.	1,800	45,900

	Shares	Value ($)
Oil & Gas Production 2.0%		
Anadarko Petroleum Corp.	2,100	119,385
Apache Corp.	3,630	181,064
Kerr–McGee Corp.	1,800	98,640
Nabors Industries, Inc.*	2,100	72,093
		471,182
Oil Companies 0.4%		
Murphy Oil Corp.	1,000	84,040
Oilfield Services / Equipment 1.6%		
BJ Services Co.*	5,800	188,210
Smith International, Inc.*	3,500	187,670
		375,880
Financial 8.7%		
Banks 2.2%		
Banknorth Group, Inc.	4,200	94,584
Golden West Financial Corp.	1,100	64,735
National Commerce Financial Corp.	1,900	48,070
Northern Trust Corp.	3,800	228,836
TCF Financial Corp.	1,300	62,374
		498,599
Consumer Finance 0.5%		
Synovus Financial Corp.	4,500	112,725
Insurance 1.9%		
AMBAC Financial Group, Inc.	1,800	104,148
John Hancock Financial Services, Inc.	3,600	148,680
Nationwide Financial Services, Inc. "A"	4,600	190,715
		443,543
Other Financial Companies 4.1%		
A.G. Edwards, Inc.	4,800	212,016
Investment Tech Group, Inc.*	2,350	91,815
Legg Mason, Inc.	4,300	214,914
The BISYS Group, Inc.*	4,150	265,559
USA Education, Inc.	1,900	159,638
		943,942
Health 12.3%		
Biotechnology 1.6%		
Genzyme Corp. — General Division*	4,600	275,356
IDEC Pharmaceuticals Corp.*	1,500	103,395
		378,751
Health Industry Services 0.6%		
First Health Group Corp.*	5,900	145,966
Medical Supply & Specialty 4.1%		
Guidant Corp.*	5,100	253,980

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Laboratory Corp. of America Holdings*	2,900	234,464
St. Jude Medical, Inc.*	2,850	221,303
Varian Medical Systems, Inc.*	1,950	138,957
Zimmer Holdings, Inc.*	3,300	100,782
		949,486
Pharmaceuticals 6.0%		
Allergan, Inc.	1,700	127,585
AmerisourceBergen Corp.	3,090	196,370
Andrx Group*	3,550	249,956
Forest Laboratories, Inc.*	6,000	491,700
Gilead Sciences, Inc.*	1,900	124,868
King Pharmaceuticals, Inc.	4,966	209,218
		1,399,697
Manufacturing 2.6%		
Diversified Manufacturing 1.1%		
Illinois Tool Works, Inc.	1,600	108,352
SPX Corp.*	900	123,210
		231,562
Electrical Products 0.8%		
AVX Corp.	2,900	68,411
Power–One, Inc.*	12,100	125,961
		194,372
Machinery / Components / Controls 0.7%		
Cooper Cameron Corp.*	4,200	169,512
Media 6.3%		
Advertising 3.0%		
Interpublic Group of Companies, Inc.	1,800	53,172
Lamar Advertising Co.*	6,000	254,040
Omnicom Group, Inc.	2,400	214,440
TMP Worldwide, Inc.*	3,950	169,455
		691,107
Broadcasting & Entertainment 2.1%		
Cox Radio, Inc. "A"*	2,500	63,700
Hispanic Broadcasting Corp.*	2,300	58,650
Univision Communication, Inc.*	1,600	64,735
USA Networks, Inc.*	10,800	294,948
		482,033
Cable Television 1.2%		
Cablevision Systems Corp. — Rainbow Media Group*	4,200	103,740
EchoStar Communications Corporation "A"*	6,550	179,929
		283,669
Service Industries 11.4%		
Asset Management 0.8%		
Federated Investors, Inc. "B"	2,400	76,512

	Shares	Value ($)
T Rowe Price Group, Inc.	3,300	114,609
		191,121
EDP Services 0.6%		
VeriSign, Inc.*	3,700	140,748
Investment 3.2%		
Bear Stearns Companies, Inc.	3,500	205,240
E*TRADE Group, Inc.*	6,100	62,525
Lehman Brothers Holdings, Inc.	3,100	207,080
Neuberger Berman, Inc.	1,600	70,240
SEI Investments Co.	2,400	108,264
Waddel & Reed Financial, Inc. "A"	2,700	86,940
		740,289
Miscellaneous Commercial Services 1.2%		
Fluor Corp.	2,300	86,020
Paychex, Inc.	5,800	203,232
		289,252
Miscellaneous Consumer Services 4.2%		
Apollo Group, Inc. "A"*	3,200	144,032
EarthLink, Inc.*	7,700	93,709
eBay, Inc.*	4,850	324,465
Expedia, Inc.*	2,600	105,586
Peregrine Systems, Inc.*	6,700	99,361
Robert Half International, Inc.*	7,650	204,255
		971,408
Miscellaneous 1.4%		
Accenture Ltd.*	2,000	53,840
KPMG Consulting, Inc.*	15,600	258,492
		312,332
Technology 35.3%		
Computer Software 12.4%		
Adobe Systems, Inc.	4,500	139,725
Amdocs Ltd.*	3,150	107,006
BEA Systems, Inc.*	11,200	172,592
Comverse Technologies, Inc.*	6,800	152,116
Extreme Networks, Inc.*	12,650	163,185
Intuit, Inc.*	3,900	166,764
Liberate Technologies, Inc.*	8,500	97,580
Macromedia, Inc.*	2,500	44,500
McData Corp. "A"*	5,700	139,650
McData Corp. "B"*	200	5,022
Mercury Interactive Corp.*	5,800	197,084
Micromuse, Inc.*	11,900	178,500
NVIDIA Corp.*	4,400	294,360
Openwave Systems, Inc.*	5,450	53,356
PeopleSoft, Inc.*	5,800	233,160
Quest Software, Inc.*	7,500	165,825
Rational Software Corp.*	11,600	226,200
Siebel Systems, Inc.*	7,600	212,648

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
WebMethods, Inc.*	6,500	108,940
		2,858,213
Diverse Electronic Products 1.9%		
Foundry Networks, Inc.*	2,300	18,745
Molex, Inc.	4,100	126,895
RF Micro Devices, Inc.*	7,800	149,994
Teradyne, Inc.*	5,000	150,700
		446,334
EDP Peripherals 3.7%		
Brocade Communications Systems, Inc.*	9,500	314,640
Riverstone Networks, Inc.*	6,700	111,220
Symantec Corp.*	2,800	185,724
Veritas Software Corp.*	5,600	250,992
		862,576
Electronic Components / Distributors 3.0%		
Analog Devices, Inc.*	4,950	219,731
Applied Micro Circuits Corp.*	18,000	203,760
Broadcom Corp. "A"*	3,100	127,038
Juniper Networks, Inc.*	4,800	90,960
PMC–Sierra, Inc.*	2,900	61,654
		703,143
Military Electronics 0.3%		
L–3 Communications Holdings, Inc.*	900	81,000
Precision Instruments 0.8%		
Finisar Corp.*	10,500	106,785
Oni Systems Corp.*	11,200	70,224
		177,009
Semiconductors 13.2%		
Altera Corp.*	8,800	186,736
Cree Research, Inc.*	8,700	256,302
Cypress Semiconductor Corp.*	6,100	121,572
GlobespanVirata, Inc.*	6,700	86,765
Integrated Device Technology, Inc.*	2,700	71,793
KLA–Tencor Corp.*	2,600	128,856
Linear Technology Corp.	6,550	255,712
LSI Logic Corp.*	10,500	165,690
Maxim Integrated Products, Inc.*	6,600	346,566
Microchip Technology, Inc.	6,100	236,314
Micron Technology, Inc.*	6,150	190,650
Network Appliance, Inc.*	5,100	111,537
Novellus Systems, Inc.*	5,300	209,085
QLogic Corp.*	3,500	155,785
Sanmina Corp.*	3,300	65,670
SunGard Data Systems, Inc.*	1,400	40,502
Transwitch Corp.*	10,100	45,450
Vitesse Semiconductor Corp.*	8,600	107,156
Xilinx, Inc.*	6,800	265,540
		3,047,681
Other 1.2%		
Midcap SPDR Trust	3,000	278,400
Total Common Stocks (Cost $19,612,801)		**21,228,110**

	Principal Amount ($)	Value ($)
Cash Equivalents 8.4%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $1,945,990)	1,945,990	**1,945,990**
Total Investment Portfolio — 100.0% (Cost $21,558,791) (a)		**23,174,100**

Notes to SVS Dynamic Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $21,918,149. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $1,255,951. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,947,778 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $691,827.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $21,558,791)	$	23,174,100
Receivable for investments sold		8,088
Dividends receivable		5,819
Interest receivable		5,230
Receivable for Portfolio shares sold		67,434
Total assets		23,260,671

Liabilities

Payable for investments purchased		22,622
Payable for Portfolio shares redeemed		23
Accrued management fee		44,417
Other accrued expenses and payables		21,378
Total liabilities		88,440
Net assets, at value	**$**	**23,172,231**

Net Assets

Net assets consist of:		
Net unrealized appreciation (depreciation) on investments		1,615,309
Accumulated net realized gain (loss)		(738,182)
Paid-in capital		22,295,104
Net assets, at value	**$**	**23,172,231**
Net Asset Value and redemption price per share ($23,172,231 ÷ 2,632,079 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.80**

Statement of Operations for the eight months ended December 31, 2001

Investment Income

Income:		
Dividends	$	14,852
Interest		43,676
Total Income		58,528
Expenses:		
Management fee		65,026
Custodian and accounting fees		50,669
Auditing		2,278
Legal		2,323
Trustees' fees and expenses		751
Reports to shareholders		5,619
Other		1,155
Total expenses, before expense reductions		127,821
Expense reductions		(43,411)
Total expenses, after expense reductions		84,410
Net investment income (loss)		**(25,882)**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		(738,182)
Net unrealized appreciation (depreciation) during the period on investments		1,615,309
Net gain (loss) on investment transactions		**877,127**
Net increase (decrease) in net assets resulting from operations	**$**	**851,245**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Period Ended December 31, 2001[a]
Operations:	
Net investment income (loss)	$ (25,882)
Net realized gain (loss) on investment transactions	(738,182)
Net unrealized appreciation (depreciation) on investment transactions during the period	1,615,309
Net increase (decrease) in net assets resulting from operations	851,245
Portfolio share transactions:	
Proceeds from shares sold	79,265,918
Cost of shares redeemed	(56,944,932)
Net increase (decrease) in net assets from Portfolio share transactions	22,320,986
Increase (decrease) in net assets	23,172,231
Net assets at end of period	**$ 23,172,231**

Other Information

Shares outstanding at beginning of period	—
Shares sold	9,384,584
Shares redeemed	(6,752,505)
Net increase (decrease) in Portfolio shares	2,632,079
Shares outstanding at end of period	**2,632,079**

Financial Highlights

	2001[a]
Selected Per Share Data	
Net asset value, beginning of period	**$ 10.00**
Income (loss) from investment operations:	
Net investment income[b]	(.02)
Net realized and unrealized gain (loss) on investment transactions[d]	(1.18)
Total from investment operations	(1.20)
Net asset value, end of period	**$ 8.80**
Total Return (%)[c]	(12.00)**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period ($ millions)	23
Ratio of expenses before expense reductions (%)	1.97*
Ratio of expenses after expense reductions (%)	1.30*
Ratio of net investment income (loss) (%)	(.40)*
Portfolio turnover rate (%)	40*

a *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*

b *Based on average shares outstanding during the period.*

c *Total return would have been lower had certain expenses not been reduced.*

d *The amount of net realized and unrealized gain shown for a share outstanding for the period ending December 31, 2001 does not correspond with the aggregate net loss on investments for the period due to the timing of sales and repurchases of Portfolio shares in relation to fluctuating market values of the investments of the Portfolio.*

* *Annualized*

** *Not annualized*

The accompanying notes are an integral part of the financial statements.

SVS Focus Value+Growth Portfolio

In 2001, the economy moved from a slowdown into a full-fledged recession. Large growth stocks declined precipitously. Value stocks held up much better, but also ended the year in net declines — the result of deep losses experienced after the September terrorist attacks.

The portfolio declined 14.35 percent. The portfolio's benchmark, the Standard & Poor's 500, declined 11.88 percent. The S&P 500 is an unmanaged group of large-cap stocks that are generally representative of the U.S. stock market. We attribute the underperformance to the focused portfolio with relatively few stocks, versus the more diversified structure of the S&P 500. The nondiversified format of this portfolio makes it more susceptible to market volatility

Since the change in management, the portfolio's growth sleeve has been concentrated in consumer stocks, technology, health care and financials. Almost every economic sector declined during the period but pockets of strength appeared in some individual stocks such as Dell, IBM and Johnson & Johnson.

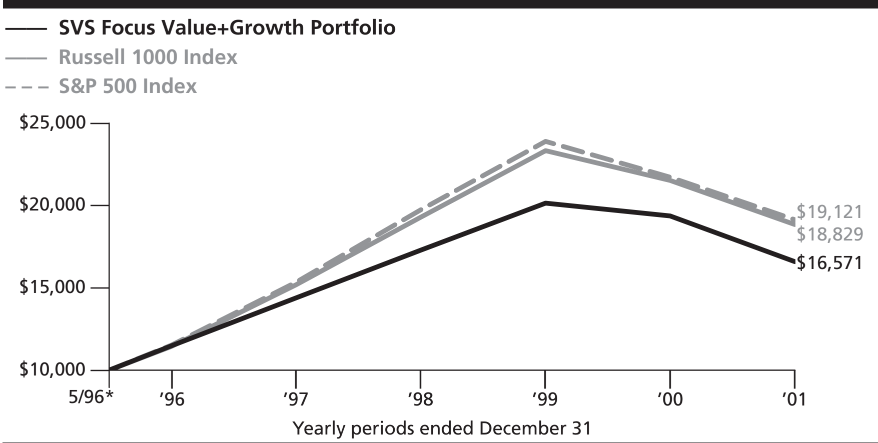
Since June, the value sleeve of the portfolio has been concentrated in stocks the managers believe to have the best growth potential in the short and long term. Financial stocks comprise the largest portion of the portfolio, with meaningful positions in telecommunications, information technology and consumer discretionary stocks. Although many of these stocks declined with the market, the managers have confidence that with a turn in the economy, they have the potential to bounce back strongly.

The management team expects that an economic recovery may begin as early as the second quarter of 2002. In the meantime, they plan to stay disciplined and focus on looking for stocks — both growth and value — with the best potential for long-term growth.

Lois Roman
Jonathan Lee
Co-lead Portfolio Managers
Zurich Scudder Investments, Inc.

Spiros Segalas
Kathleen McCarragher
Co-lead Portfolio Managers
Jennison Associates LLC
(Subadvisor for the Growth Component)

Growth of an Assumed $10,000 Investment in SVS Focus Value+Growth Portfolio from 5/1/1996 to 12/31/2001



The Russell 1000 Index is an unmanaged capitalization-weighted price-only index composed of the largest-capitalized United States companies whose common stocks are traded in the U.S. This larger capitalization, market-oriented index is highly correlated with the S&P 500 Stock Index. The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	3-Year	5-Year	Life of Portfolio	
SVS Focus Value+Growth Portfolio	–14.35%	–1.39%	7.65%	9.32%	(Since 5/1/1996)

* *The Portfolio commenced operations on May 1, 1996. Index comparisons begin April 30, 1996.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Focus Value+Growth Portfolio

	Shares	Value ($)
Common Stocks 95.0%		
Communications 3.9%		
Telephone / Communications		
BellSouth Corp.	80,800	3,082,520
WorldCom, Inc.*	172,900	2,434,432
		5,516,952
Consumer Discretionary 14.7%		
Apparel & Shoes 2.1%		
Reebok International Ltd.*	109,900	2,912,350
Department & Chain Stores 5.5%		
Home Depot, Inc.	74,850	3,818,098
Kohl's Corp.*	56,100	3,951,684
		7,769,782
Hotels & Casinos 1.1%		
Hilton Hotels Corp.	136,200	1,487,304
Restaurants 1.9%		
Brinker International, Inc.*	88,000	2,618,880
Specialty Retail 4.1%		
Intimate Brands, Inc.	174,500	2,593,070
Tiffany & Co.	100,500	3,162,735
		5,755,805
Consumer Staples 5.7%		
Food & Beverage 2.1%		
PepsiCo, Inc.	59,800	2,911,662
Package Goods / Cosmetics 3.6%		
Kimberly–Clark Corp.	53,000	3,169,400
Procter & Gamble Co.	24,900	1,970,337
		5,139,737
Durables 3.8%		
Aerospace 2.5%		
United Technologies Corp.	53,900	3,483,557
Telecommunications Equipment 1.3%		
Harris Corp.	61,000	1,861,110
Energy 3.8%		
Oil & Gas Production 1.6%		
Exxon Mobil Corp.	57,200	2,247,960
Oilfield Services / Equipment 2.2%		
BJ Services Co.*	93,900	3,047,055
Financial 19.3%		
Banks 10.0%		
Bank of America Corp.	44,600	2,807,570
Bank One Corp.	96,800	3,780,040
J.P. Morgan Chase & Co.	69,700	2,533,595
Mellon Financial Corp.	72,900	2,742,498
Wachovia Corp.	69,100	2,166,976
		14,030,679
Consumer Finance 6.8%		
Citigroup, Inc.	134,261	6,777,495
Household International, Inc.	47,900	2,775,326
		9,552,821
Insurance 2.5%		
American International Group, Inc.	44,600	3,541,240
Health 13.7%		
Biotechnology 4.7%		
Genentech, Inc.*	65,400	3,547,950
MedImmune, Inc.*	67,000	3,105,450
		6,653,400
Medical Supplies and Specialty 2.5%		
Johnson & Johnson	59,600	3,522,360
Pharmaceuticals 6.5%		
American Home Products Corp.	22,600	1,386,736
Pfizer, Inc.	90,400	3,602,440
Pharmacia Corp.	98,300	4,192,495
		9,181,671
Manufacturing 7.6%		
Chemicals 6.0%		
E.I. du Pont de Nemours & Co.	33,550	1,426,211
Engelhard Corp.	117,400	3,249,632
PPG Industries, Inc.	73,000	3,775,560
		8,451,403
Industrial Specialty 1.6%		
Sherwin–Williams Co.	83,700	2,301,750
Media 2.7%		
Broadcasting & Entertainment		
Viacom, Inc. "B"*	86,900	3,836,635
Service Industries 1.6%		
Investment		
Merrill Lynch & Co., Inc.	43,200	2,251,584
Technology 18.2%		
Computer Software 5.7%		
Comverse Technologies, Inc.*	164,800	3,686,576

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Microsoft Corp.*	65,800	4,360,566
		8,047,142
Diverse Electronic Products 2.9%		
Dell Computer Corp.*	150,800	4,098,744
Electronic Components / Distributors 0.2%		
Jabil Circuit, Inc.*	15,600	354,432
Electronic Data Processing 2.8%		
International Business Machines Corp.	32,100	3,882,816
Semiconductors 6.6%		
Avent, Inc.	62,200	1,584,234
Intel Corp.	121,700	3,827,465
Texas Instruments, Inc.	137,700	3,855,600
		9,267,299
Total Common Stocks (Cost $132,448,557)		**133,726,130**

	Principal Amount ($)	Value ($)
Cash Equivalents 5.0%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $7,089,182)	7,089,182	**7,089,182**
Total Investment Portfolio — 100.0% (Cost $139,537,739) (a)		**140,815,312**

Notes to SVS Focus Value+Growth Portfolio of Investments

* *Non–income producing security.*

(a) *The cost for federal income tax purposes was $140,966,769. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $151,457. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $5,638,548 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,790,005.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $139,537,739)	$ 140,815,312
Cash	10,000
Receivable for investments sold	326,933
Dividends receivable	68,503
Interest receivable	14,060
Receivable for Portfolio shares sold	80,535
Foreign taxes recoverable	330
Total assets	141,315,673

Liabilities

Payable for investments purchased	1,376,511
Payable for Portfolio shares redeemed	11,022
Accrued management fee	95,848
Other accrued expenses and payables	26,972
Total liabilities	1,510,353
Net assets, at value	**$ 139,805,320**

Net Assets

Net assets consist of:	
Undistributed net investment income (loss)	595,725
Net unrealized appreciation (depreciation) on investments	1,277,573
Accumulated net realized gain (loss)	(12,994,928)
Paid-in capital	150,926,950
Net assets, at value	**$ 139,805,320**
Net Asset Value and redemption price per share ($139,805,320 ÷ 10,690,065 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 13.08**

Statement of Operations for the year ended December 31, 2001

Investment Income

Income:	
Dividends (net of foreign taxes withheld of $6,070)	$ 1,554,976
Interest	456,981
Total Income	2,011,957
Expenses:	
Management fee	1,057,299
Custodian fees	12,398
Auditing	10,676
Legal	6,181
Trustees' fees and expenses	8,709
Reports to shareholders	13,024
Total expenses, before expense reductions	1,108,287
Expense reductions	(192)
Total expenses, after expense reductions	1,108,095
Net investment income (loss)	**903,862**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	(12,799,787)
Net unrealized appreciation (depreciation) during the period on:	
Investments	(10,442,279)
Foreign currency related transactions	(58)
	(10,442,337)
Net gain (loss) on investment transactions	**(23,242,124)**
Net increase (decrease) in net assets resulting from operations	**$ (22,338,262)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 903,862	$ 1,071,993
Net realized gain (loss) on investment transactions	(12,799,787)	9,677,690
Net unrealized appreciation (depreciation) on investment transactions during the period	(10,442,337)	(17,248,843)
Net increase (decrease) in net assets resulting from operations	(22,338,262)	(6,499,160)
Distributions to shareholders from:		
Net investment income	(914,441)	(863,094)
Net realized gains	(9,601,639)	(14,672,601)
Portfolio share transactions:		
Proceeds from shares sold	27,203,393	16,565,355
Reinvestment of distributions	10,516,080	15,535,695
Cost of shares redeemed	(18,238,788)	(28,953,182)
Net increase (decrease) in net assets from Portfolio share transactions	19,480,685	3,147,868
Increase (decrease) in net assets	(13,373,657)	(18,886,987)
Net assets at beginning of period	153,178,977	172,065,964
Net assets at end of period (including undistributed net investment income of $595,725 and $745,856, respectively)	**$ 139,805,320**	**$ 153,178,977**

Other Information[a]

Shares outstanding at beginning of period	9,252,858	9,077,951
Shares sold	1,952,649	959,926
Shares issued to shareholders in reinvestment of distributions	768,798	864,882
Shares redeemed	(1,284,240)	(1,649,901)
Net increase (decrease) in Portfolio shares	1,437,207	174,907
Shares outstanding at end of period	**10,690,065**	**9,252,858**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to June 30, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a]	1998[a]	1997[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 16.55**	**$ 18.96**	**$ 16.71**	**$ 14.25**	**$ 11.46**
Income (loss) from investment operations:					
Net investment income (loss)	.09[b]	.12[b]	.08[b]	.08	.12
Net realized and unrealized gain (loss) on investment transactions	(2.41)	(.73)	2.62	2.78	2.77
Total from investment operations	(2.32)	(.61)	2.70	2.86	2.89
Less distributions from:					
Net investment income	(.10)	(.10)	(.10)	—	(.10)
Net realized gains on investment transactions	(1.05)	(1.70)	(.35)	(.40)	—
Total distributions	(1.15)	(1.80)	(.45)	(.40)	(.10)
Net asset value, end of period	**$ 13.08**	**$ 16.55**	**$ 18.96**	**$ 16.71**	**$ 14.25**
Total Return (%)	(14.35)	(3.90)	16.52	20.17	25.47
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	140	153	172	152	69
Ratio of expenses before expense reductions (%)	.79	.81	.83	.78	.84
Ratio of expenses after expense reductions (%)	.79	.81	.82	.78	.84
Ratio of net investment income (loss) (%)	.64	.66	.46	.80	.95
Portfolio turnover rate (%)	180	39	102	102	50

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to June 30, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *Based on average shares outstanding during the period.*

SVS Focused Large Cap Growth Portfolio

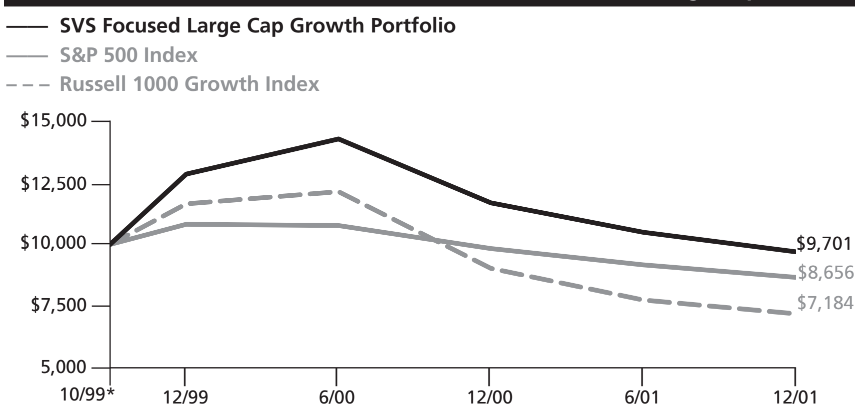
During 2001 the SVS Focused Large Cap Growth Portfolio was down 17.02 percent while the S&P 500 Index was down 11.88 percent and the Russell 1000 Growth Index was down 20.42 percent. This performance placed the portfolio in the second Lipper quartile for large cap growth variable underlying funds in 2001.

The year 2001 was marked by global recession, the California energy crisis, sharp declines on Wall Street, and most significantly, tragedy. The attacks of September 11 had far-reaching implications for the nation's citizens and its economy. Nonetheless, several other factors combined to define the past year's market turbulence. Businesses were adjusting to a new reality of slower demand after the unsustainable capital spending in 1999 and early 2000. Resulting inventory excesses contributed to corporate woes as businesses cut their budgets and layoffs reached 1.8 million through November. U.S. corporations reported weak revenues, earnings, and cash flow throughout the year. During this volatility, major sector changes were not in order, as we maintained investments in companies with strong balance sheets and adept management teams capable of weathering the economic slowdown.

Moving forward we see several encouraging developments that bode well for a sustained economic recovery. We believe we are most likely to see a return in the U.S. equity markets to slow, steady and sustained growth in the 8 to 12 percent range over the next couple of years. With its emphasis on large-cap companies with strong business models in the fastest growing segments of the U.S. economy, we believe the portfolio is well positioned regardless of the shape and strength of the eventual recovery.

Ashi Parikh
Lead Portfolio Manager
Eagle Asset Management, Inc.
Subadvisor to the Portfolio

Growth of an Assumed $10,000 Investment in SVS Focused Large Cap Growth Portfolio from 10/29/1999 to 12/31/2001



The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Russell 1000 Growth Index is an unmanaged index composed of common stocks of larger U.S. companies with greater-than-average growth orientation and represents the universe of stocks from which "earnings/growth" money managers typically select.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	Life of Portfolio	
SVS Focused Large Cap Growth Portfolio	–17.02%	–1.39%	(Since 10/29/1999)

* *The Portfolio commenced operations on October 29, 1999. Index comparisons begin October 31, 1999.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Focused Large Cap Growth Portfolio

	Shares	Value ($)
Common Stocks 95.3%		
Consumer Discretionary 6.1%		
Department & Chain Stores		
Home Depot, Inc.	35,875	1,829,984
Wal–Mart Stores, Inc.	34,050	1,959,578
		3,789,562
Consumer Staples 9.6%		
Alcohol & Tobacco 5.1%		
Anheuser–Busch Companies, Inc.	29,750	1,344,998
Philip Morris Companies, Inc.	38,500	1,765,225
		3,110,223
Food & Beverage 2.7%		
Kroger Co.*	79,250	1,653,948
Package Goods / Cosmetics 1.8%		
Procter & Gamble Co.	14,300	1,131,559
Financial 10.5%		
Consumer Finance 4.8%		
American Express Co.	29,000	1,035,010
Citigroup, Inc.	38,066	1,921,571
		2,956,581
Insurance 1.7%		
American International Group, Inc.	13,375	1,061,975
Other Financial Companies 4.0%		
Freddie Mac	37,900	2,478,660
Health 18.1%		
Medical Supply & Specialty 3.7%		
Baxter International,Inc.	14,550	780,317
Medtronic, Inc.	29,800	1,526,058
		2,306,375
Pharmaceuticals 14.4%		
American Home Products Corp.	22,850	1,402,075
Bristol–Myers Squibb Co.	31,250	1,593,750
Merck & Co., Inc.	34,300	2,016,840
Pfizer, Inc.	54,900	2,187,765
Pharmacia Corp.	38,850	1,656,952
		8,857,382

	Shares	Value ($)
Manufacturing 3.2%		
Diversified Manufacturing		
General Electric Co.	49,200	1,971,936
Media 10.4%		
Broadcasting & Entertainment 3.7%		
AOL Time Warner, Inc.*	30,650	983,865
Viacom, Inc. "B"*	28,950	1,278,141
		2,262,006
Cable Television 6.7%		
Comcast Corp. "A"*	48,600	1,749,600
Gemstar–TV Guide International, Inc.*	50,450	1,397,465
Liberty Media Corp. "A"*	69,000	966,000
		4,113,065
Service Industries 7.3%		
EDP Services 1.4%		
VeriSign, Inc.*	22,150	842,586
Investment 3.7%		
Goldman Sachs Group, Inc.	14,800	1,372,700
Lehman Brothers Holdings, Inc.	14,100	941,880
		2,314,580
Miscellaneous Commercial Services 2.2%		
United Parcel Service, Inc. "B"	25,250	1,376,125
Technology 30.1%		
Computer Software 7.3%		
Microsoft Corp.*	68,550	4,542,809
Diverse Electronic Products 1.3%		
Dell Computer Corp.*	29,850	811,323
EDP Peripherals 2.1%		
VERITAS Software Corp.*	28,650	1,284,093
Electronic Components / Distributors 7.4%		
Agere Systems, Inc., "A"*	196,600	1,118,654
Broadcom Corp. "A"*	38,300	1,569,534
Cisco Systems, Inc.*	101,100	1,830,921
		4,519,109

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Semiconductors 12.0%		
Altera Corp.*	57,700	1,224,394
Applied Materials, Inc.*	18,900	757,890
Intel Corp.	50,650	1,592,943
LSI Logic Corp.*	65,650	1,035,957
National Semiconductor Corp.*	35,750	1,100,743
Teradyne, Inc.*	25,250	761,035
Texas Instruments, Inc.	32,900	921,200
		7,394,162
Total Common Stocks (Cost $57,661,998)		**58,778,059**

	Principal Amount ($)	Value ($)
Cash Equivalents 4.7%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $2,907,198)	2,907,198	**2,907,198**
Total Investment Portfolio — 100.0% (Cost $60,569,196) (a)		**61,685,257**

Notes to SVS Focused Large Cap Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $63,076,102. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $1,390,845. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,232,088 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,622,933.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $60,569,196)	$	61,685,257
Cash		10,000
Dividends receivable		56,862
Interest receivable		5,358
Receivable for Portfolio shares sold		644,553
Total assets		62,402,030
Liabilities		
Payable for investments purchased		2,194,886
Payable for Portfolio shares redeemed		467
Accrued management fee		51,294
Other accrued expenses and payables		47,688
Total liabilities		2,294,335
Net assets, at value	**$**	**60,107,695**
Net Assets		
Net assets consist of:		
Net unrealized appreciation (depreciation) on:		
Investments		1,116,061
Accumulated net realized gain (loss)		(10,871,343)
Paid-in capital		69,862,977
Net assets, at value	**$**	**60,107,695**
Net Asset Value and redemption price per share ($60,107,695 ÷ 6,353,061 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.46**

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Dividends	$	256,184
Interest		77,244
Total Income		333,428
Expenses:		
Management fee		351,121
Custodian and accounting fees		44,648
Auditing		6,496
Legal		3,527
Trustees' fees and expenses		1,622
Reports to shareholders		8,302
Other		1,406
Total expenses, before expense reductions		417,122
Expense reductions		(6,134)
Total expenses, after expense reductions		410,988
Net investment income (loss)		**(77,560)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		(8,258,294)
Net unrealized appreciation (depreciation) during the period on investments		2,843,040
Net gain (loss) on investment transactions		**(5,415,254)**
Net increase (decrease) in net assets resulting from operations	**$**	**(5,492,814)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ (77,560)	$ (58,031)
Net realized gain (loss) on investment transactions	(8,258,294)	(2,603,357)
Net unrealized appreciation (depreciation) on investment transactions during the period	2,843,040	(2,082,719)
Net increase (decrease) in net assets resulting from operations	(5,492,814)	(4,744,107)
Distributions to shareholders from:		
Net realized gains	—	(198,306)
Portfolio share transactions:		
Proceeds from shares sold	40,803,744	35,121,631
Reinvestment of distributions	—	198,306
Cost of shares redeemed	(3,343,405)	(5,157,366)
Net increase (decrease) in net assets from Portfolio share transactions	37,460,339	30,162,571
Increase (decrease) in net assets	31,967,525	25,220,158
Net assets at beginning of period	28,140,170	2,920,012
Net assets at end of period	**$ 60,107,695**	**$ 28,140,170**

Other Information[a]

Shares outstanding at beginning of period	2,467,850	227,410
Shares sold	4,225,617	2,619,567
Shares issued to shareholders in reinvestment of distributions	—	13,829
Shares redeemed	(340,406)	(392,956)
Net increase (decrease) in Portfolio shares	3,885,211	2,240,440
Shares outstanding at end of period	**6,353,061**	**2,467,850**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a,b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 11.40**	**$ 12.84**	**$ 10.00**
Income (loss) from investment operations:			
Net investment income[c]	(.02)	(.05)	—
Net realized and unrealized gain (loss) on investment transactions	(1.92)	(1.04)	2.84
Total from investment operations	(1.94)	(1.09)	2.84
Less distributions from:			
Net realized gains on investment transactions	—	(.35)	—
Total distributions	—	(.35)	—
Net asset value, end of period	**$ 9.46**	**$ 11.40**	**$ 12.84**
Total Return (%)	(17.02)	(9.02)[d]	28.40[d]**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	60	28	3
Ratio of expenses before expense reductions (%)	1.13	1.33	7.49*
Ratio of expenses after expense reductions (%)	1.11	1.02	1.10*
Ratio of net investment income (loss) (%)	(.21)	(.37)	(.19)*
Portfolio turnover rate (%)	98	323	336*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *For the period from October 29, 1999 (commencement of operations) to December 31, 1999.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

SVS Growth and Income Portfolio

In a difficult environment for stocks during 2001, the SVS Growth and Income Portfolio — which stays fully invested in stocks and will therefore rise and fall along with the U.S. market — produced a negative return. However, we accomplished our primary goal of outperforming the broader market and similar portfolios during the period. We seek to fulfill this objective by using a disciplined, multi-step process to invest in large company stocks that possess attractive fundamental characteristics, but whose prices do not fully reflect their positive outlook. At the same time, we seek to manage risk by diversifying the portfolio among both "growth" and "value" stocks across a wide range of industries.

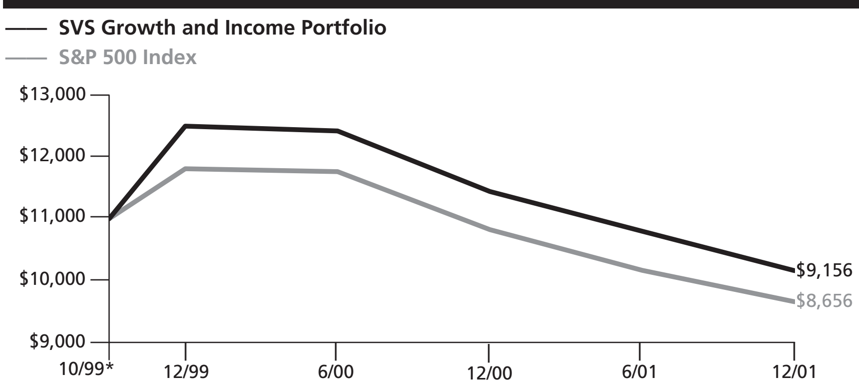
This approach helped the portfolio produce a competitive performance amid a weak market environment. Performance was boosted by stock selection within the health care sector, and, within the technology sector, our decision to emphasize software and semiconductor (computer chip) stocks over the weaker-performing hardware and communication services areas also provided a boost. Our underweight position (relative to the S&P 500) in utilities supplied an additional lift to performance. On the down side, the portfolio was hurt by stock selection within the consumer discretionary area and an underweight position in industrials.

From a strategic standpoint, we have been seeking to take advantage of opportunities in more economically sensitive stocks where our research shows that prices do not accurately reflect the potential improvement in their fundamentals. Although earnings in some sectors remain well below normal at present, we believe that our three-step process has allowed us to uncover a number of stocks whose earnings are poised to recover. The portfolio now holds an increased weighting in technology and cyclical stocks. At the same time, we have reduced exposure to more defensive areas where we believe earnings have been above normal, such as energy and utilities.

Overall, we are positive on the outlook for the market based on three factors: lower interest rates, attractive valuations among many individual stocks, and the prospect for improved earnings in 2002.

David J. Corkins, Lead Portfolio Manager
Janus Capital Corporation, Subadvisor to the Portfolio

Growth of an Assumed $10,000 Investment in SVS Growth and Income Portfolio from 10/29/1999 to 12/31/2001



The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Average Annual Total Return

For the periods ended December 31, 2001	1-Year	Life of Portfolio	
SVS Growth and Income Portfolio	–12.28%	–3.97%	(Since 10/29/1999)

* *The Portfolio commenced operations October 29, 1999. Index comparison begins October 31, 1999.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Growth and Income Portfolio

	Shares	Value ($)
Common Stocks 74.9%		
Communications 2.4%		
Cellular Telephone 2.1%		
AT&T Wireless Services, Inc.*	171,250	2,460,863
Nokia Oyj (ADR)	52,785	1,294,816
		3,755,679
Telephone / Communications 0.3%		
Telefonica SA*	38,480	515,550
Consumer Discretionary 2.1%		
Hotels & Casinos 1.0%		
Fairmont Hotels & Resorts	27,296	650,337
Park Place Entertainment Corp.*	134,065	1,229,376
		1,879,713
Recreational Products 1.1%		
Harley–Davidson, Inc.	11,400	619,134
Mattel, Inc.	83,060	1,428,632
		2,047,766
Consumer Staples 5.3%		
Alcohol & Tobacco 1.3%		
Anheuser–Busch Companies, Inc.	52,375	2,367,874
Food & Beverage 3.0%		
Coca–Cola Enterprises, Inc.	100,055	1,895,042
Kroger Co.*	16,805	350,720
PepsiCo, Inc.	64,737	3,152,045
		5,397,807
Package Goods / Cosmetics 1.0%		
Procter & Gamble Co.	22,825	1,806,142
Durables 1.4%		
Automobiles		
Bayerische Motoren Werke AG	24,051	847,915
Delphi Automotive Systems Corp.	128,275	1,752,237
		2,600,152
Energy 5.4%		
Oil & Gas Production 4.9%		
Burlington Resources, Inc.	32,330	1,213,668
Conoco, Inc.	38,995	1,103,559
El Paso Corp.	10,460	466,621
Exxon Mobil Corp.	114,495	4,499,654
Fording, Inc.	6,172	109,716
PanCanadian Energy Corp.	56,764	1,472,584
		8,865,802
Oil / Gas Transmission 0.5%		
Kinder Morgan, Inc.	16,640	926,682
Financial 20.8%		
Banks 3.7%		
Bank of America Corp.	13,940	877,523
J.P. Morgan Chase & Co.	70,000	2,544,500
U.S. Bancorp	156,552	3,276,633
		6,698,656
Consumer Finance 5.7%		
Citigroup, Inc.	152,423	7,694,318
Household International, Inc.	45,575	2,640,616
		10,334,934
Insurance 8.5%		
American International Group, Inc.	74,325	5,901,437
Aon Corp.	35,850	1,273,392
Assicurazioni Generali SpA	44,106	1,226,662
CIGNA Corp.	11,620	1,076,593
John Hancock Financial Services, Inc.	40,340	1,666,042
MGIC Investment Corp.	20,060	1,238,103
PartnerRe Ltd.	20,030	1,081,620
Principal Financial Group, Inc.*	16,115	386,760
Prudential Financial, Inc.*	40,820	1,354,816
Willis Group Holding Ltd.*	13,325	313,804
		15,519,229
Other Financial Companies 2.9%		
Berkshire Hathaway, Inc. "B"*	865	2,184,125
Marsh & McLennan Companies, Inc.	28,905	3,105,842
		5,289,967
Health 6.4%		
Medical Supply & Specialty 1.4%		
Medtronic, Inc.	49,245	2,521,836
Pharmaceuticals 5.0%		
Allergan, Inc.	25,190	1,890,510
American Home Products Corp.	47,035	2,886,068
Pfizer, Inc.	108,920	4,340,462
		9,117,040

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Manufacturing 7.9%		
Chemicals 1.9%		
E.I. du Pont de Nemours & Co.	64,860	2,757,199
Solutia, Inc.	51,430	721,049
		3,478,248
Diversified Manufacturing 6.0%		
General Electric Co.	95,945	3,845,476
Honeywell International, Inc.	85,570	2,893,977
Minnesota Mining & Manufacturing Co.	10,125	1,196,876
Tyco International Ltd.	48,986	2,885,271
		10,821,600
Media 11.1%		
Broadcasting & Entertainment 5.5%		
AOL Time Warner, Inc.*	32,390	1,039,719
Clear Channel Communications, Inc.*	17,535	892,707
Cox Communications, Inc. "A"*	61,105	2,560,911
USA Networks, Inc.*	35,615	972,646
Viacom, Inc. "B"*	83,800	3,699,770
Walt Disney Co.	43,540	902,149
		10,067,902
Cable Television 5.1%		
Comcast Corp. "A"*	123,730	4,454,280
Liberty Media Corp. "A"*	339,350	4,750,900
		9,205,180
Print Media 0.5%		
Valassis Communications, Inc.*	25,795	918,818
Service Industries 4.3%		
EDP Services 0.4%		
VeriSign, Inc.*	16,903	642,990
Investment 2.3%		
Charles Schwab Corp.	77,540	1,199,544
Goldman Sachs Group, Inc.	17,825	1,653,269
Merrill Lynch & Co., Inc.	25,755	1,342,351
		4,195,164
Miscellaneous Commercial Services 1.6%		
Arbitron, Inc.*	5,464	186,596
Fluor Corp.	48,330	1,807,542
Paychex, Inc.	28,562	1,000,812
		2,994,950

	Shares	Value ($)
Technology 6.9%		
Computer Software 3.3%		
Ceridian Corp.*	72,150	1,352,813
Electronic Arts, Inc.*	8,980	538,351
Microsoft Corp.*	61,490	4,074,942
		5,966,106
Electronic Data Processing 1.1%		
Apple Computer, Inc.*	88,220	1,932,013
Semiconductors 2.5%		
Advanced Micro Devices, Inc.*	70,840	1,123,522
Linear Technology Corp.	24,685	963,702
Maxim Integrated Products, Inc.*	46,915	2,463,507
		4,550,731
Utilities 0.9%		
Electric Utilities		
Duke Energy Corp.	41,215	1,618,101
Total Common Stocks (Cost $135,000,357)		**136,036,632**

	Shares	Value ($)
Preferred Stocks 0.7%		
Durables 0.7%		
Automobiles		
Porsche AG (Preferred)* (Cost $1,051,548)	3,550	**1,357,557**

	Principal Amount ($)	Value ($)
Convertible Bonds 0.8%		
Communications 0.1%		
Cellular Telephone		
American Tower Corp., 5.0%, 2/15/2010*	200,000	119,358
Utilities 0.7%		
Electric Utilities		
Reliant Energy, Inc., 2.0%, 9/15/2029	25,242	1,281,864
Total Convertible Bonds (Cost $1,952,897)		**1,401,222**
Corporate Bonds 2.2%		
Communications 0.2%		
American Tower Corp., 5.0%, 2/15/2010	460,000	274,523
CenturyTel, Inc., 8.375%, 10/15/2010	120,000	127,506

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
NTL Inc., 7.0%, 12/15/2008	65,000	5,525
		407,554
Consumer Discretionary 1.0%		
Mattel, Inc.:		
6.0%, 7/15/2003	85,000	84,210
6.125%, 7/15/2005	155,000	149,308
Wal–Mart Stores, 4.375%, 8/1/2003	1,575,000	1,597,948
		1,831,466
Energy 0.1%		
Devon Energy Corp., Zero Coupon, 6/27/2020	215,000	96,481
Financial 0.5%		
Merrill Lynch & Co.:		
6.15%, 1/26/2006	520,000	542,048
6.8%, 11/3/2003	395,000	418,688
		960,736

	Principal Amount ($)	Value ($)
Transportation 0.4%		
Canadian National Railway, 6.625%, 4/15/2008	700,000	714,036
Total Corporate Bonds (Cost $4,129,594)		**4,010,273**

U.S. Government & Agencies 2.5%		
U.S. Treasury Note:		
5.25%, 8/15/2003	2,050,000	2,131,672
5.25%, 5/15/2004	2,370,000	2,471,104
Total U.S. Government & Agencies (Cost $4,435,147)		**4,602,776**

Cash Equivalents 18.9%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $34,298,655)	34,298,655	**34,298,655**
Total Investment Portfolio — 100.0% (Cost $180,868,198) (a)		**181,707,115**

Notes to SVS Growth and Income Portfolio of Investments

* *Non–income producing security.*

(a) *The cost for federal income tax purposes was $182,387,393. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $680,278. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $8,423,745 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $9,104,023.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $180,868,198)	$	181,707,115
Cash		6,065
Foreign currency, at value (cost $2,472)		2,472
Receivable for investments sold		44,191
Dividends receivable		99,846
Interest receivable		195,081
Receivable for Portfolio shares sold		757,143
Foreign taxes recoverable		4,984
Total assets		182,816,897
Liabilities		
Payable for investments purchased		3,740,644
Payable for Portfolio shares redeemed		1,676
Accrued management fee		138,618
Other accrued expenses and payables		87,227
Total liabilities		3,968,165
Net assets, at value	**$**	**178,848,732**
Net Assets		
Net assets consist of:		
Undistributed net investment income (loss)		997,913
Net unrealized appreciation (depreciation) on:		
Investments		838,917
Foreign currency related transactions		595
Accumulated net realized gain (loss)		(27,283,592)
Paid-in capital		204,294,899
Net assets, at value	**$**	**178,848,732**
Net Asset Value and redemption price per share ($178,848,732 ÷ 19,768,850 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	$	9.05

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $9,753)	$	1,006,908
Interest		1,497,883
Total Income		2,504,791
Expenses:		
Management fee		1,222,426
Custodian and accounting fees		71,284
Auditing		19,362
Legal		8,420
Trustees' fees and expenses		7,136
Reports to shareholders		16,556
Other		6,303
Total expenses, before expense reductions		1,351,487
Expense reductions		(6,527)
Total expenses, after expense reductions		1,344,960
Net investment income (loss)		**1,159,831**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(21,699,878)
Foreign currency related transactions		(5,028)
		(21,704,906)
Net unrealized appreciation (depreciation) during the period on:		
Investments		5,649,500
Foreign currency related transactions		109
		5,649,609
Net gain (loss) on investment transactions		**(16,055,297)**
Net increase (decrease) in net assets resulting from operations	**$**	**(14,895,466)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 1,159,831	$ 711,525
Net realized gain (loss) on investment transactions	(21,704,906)	(5,562,190)
Net unrealized appreciation (depreciation) on investment transactions during the period	5,649,609	(5,826,583)
Net increase (decrease) in net assets resulting from operations	(14,895,466)	(10,677,248)
Distributions to shareholders from:		
Net investment income	(764,939)	(179,619)
Portfolio share transactions:		
Proceeds from shares sold	96,689,692	107,839,456
Reinvestment of distributions	764,939	179,619
Cost of shares redeemed	(7,406,683)	(8,494,560)
Net increase (decrease) in net assets from Portfolio share transactions	90,047,948	99,524,515
Increase (decrease) in net assets	74,387,543	88,667,648
Net assets at beginning of period	104,461,189	15,793,541
Net assets at end of period (including undistributed net investment income of $997,913 and $608,049, respectively)	**$ 178,848,732**	**$ 104,461,189**

Other Information[a]

Shares outstanding at beginning of period	10,046,981	1,374,095
Shares sold	10,434,818	9,398,418
Shares issued to shareholders in reinvestment of distributions	83,812	14,539
Shares redeemed	(796,761)	(740,071)
Net increase (decrease) in Portfolio shares	9,721,869	8,672,886
Shares outstanding at end of period	**19,768,850**	**10,046,981**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001[e]	2000[a]	1999[a,b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 10.40**	**$ 11.49**	**$ 10.00**
Income (loss) from investment operations:			
Net investment income[c]	.08	.12	—
Net realized and unrealized gain (loss) on investment transactions	(1.36)	(1.16)	1.49
Total from investment operations	(1.28)	(1.04)	1.49
Less distributions from:			
Net investment income	(.07)	—	—
Net realized gains on investment transactions	—	(.05)	—
Total distributions	(.07)	(.05)	—
Net asset value, end of period	**$ 9.05**	**$ 10.40**	**$ 11.49**
Total Return (%)	(12.28)	(9.18)[d]	14.93[d]**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	179	104	16
Ratio of expenses before expense reductions (%)	1.05	1.10	2.58*
Ratio of expenses after expense reductions (%)	1.05	1.01	1.10*
Ratio of net investment income (loss) (%)	.90	1.07	(.05)*
Portfolio turnover rate (%)	48	39	53*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *For the period from October 29, 1999 (commencement of operations) to December 31, 1999.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

[e] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of this change for the year ended December 31, 2001 was to decrease net investment income by $.01, increase net realized and unrealized gains and losses by $.01 and decrease the ratio of net investment income to average net assets from .92% to .90%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

* *Annualized*

** *Not annualized*

SVS Growth Opportunities Portfolio

Volatility was prevalent throughout much of the economic landscape in 2001. With unemployment rising to a six-year high and earnings by U.S. companies increasingly dismal, the Federal Reserve lowered interest rates 11 times to 1.75 percent. This influx of liquidity helped consumer spending hold up surprisingly well despite the terrorist attacks of September 11. In this environment, the SVS Growth Opportunities Portfolio underperformed its benchmark, the S&P 500 Index.

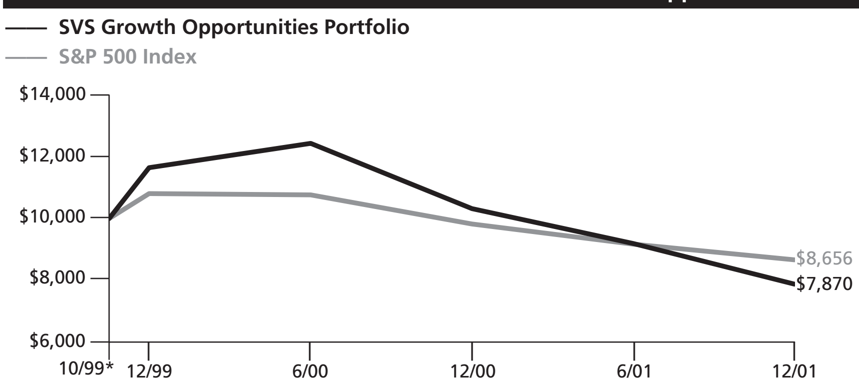
Among our top performers was Microsoft. While it may be surprising that a technology name gained ground during the year, the software giant is often considered a safe haven in the industry with its dominant market share and solid cash flow. Investor perception aside, the company reported a number of positive developments, including its antitrust settlement with the U.S. Justice Department. Though there are still pending lawsuits with nine states, the issue seems to be finally nearing a close. In addition, Microsoft launched Windows XP and gaming console Xbox.

Elsewhere, one of our more defensive holdings, General Electric, ended the period in negative territory. Nonetheless, CEO Jeffrey Immelt said the company expects to grow earnings 17–18 percent in 2002 during a recent meeting. Furthermore, GE plans to launch an aggressive acquisition campaign as a result of its strong balance sheet and weak economic conditions, which should enable it to take advantage of some excellent buying opportunities.

Going forward, the economic outlook continues to be uncertain. With that in mind, we will maintain our balanced investment approach. That is, weighing a company's risk against its reward while being valuation sensitive.

E. Marc Pinto
Lead Portfolio Manager
Janus Capital Corporation
Subadvisor to the Portfolio

Growth of an Assumed $10,000 Investment in SVS Growth Opportunities Portfolio from 10/29/1999 to 12/31/2001



The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	Life of Portfolio	
SVS Growth Opportunities Portfolio	–23.76%	–10.43%	(Since 10/29/1999)

* *The Portfolio commenced operations on October 29, 1999. Index comparison begins on October 31, 1999.*

[1] *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Growth Opportunities Portfolio

	Shares	Value ($)
Common Stocks 92.2%		
Communications 6.0%		
Cellular Telephone 4.4%		
Nokia Oyj (ADR)	253,560	6,219,827
Vodafone Group PLC (ADR)	37,600	965,568
		7,185,395
Telephone / Communications 1.6%		
Qwest Communications International, Inc.	186,195	2,630,935
Consumer Discretionary 5.9%		
Department & Chain Stores 3.5%		
Wal–Mart Stores, Inc.	48,015	2,763,263
Walgreen Co.	90,160	3,034,786
		5,798,049
Hotels & Casinos 2.4%		
MGM Mirage, Inc.*	135,040	3,898,605
Consumer Staples 3.8%		
Alcohol & Tobacco 2.1%		
Anheuser–Busch Companies, Inc.	76,575	3,461,956
Package Goods / Cosmetics 1.7%		
Colgate–Palmolive Co.	47,040	2,716,560
Energy 4.1%		
Oil & Gas Production		
Anadarko Petroleum Corp.	90,800	5,161,980
Exxon Mobil Corp.	41,295	1,622,894
		6,784,874
Financial 13.1%		
Banks 2.5%		
Bank of New York Co., Inc.	101,000	4,120,800
Consumer Finance 5.0%		
Citigroup, Inc.	161,083	8,131,470
Other Financial Companies 5.6%		
Fannie Mae	84,725	6,735,638
Morgan Stanley Dean Witter & Co.	44,535	2,491,288
		9,226,926
Health 11.9%		
Biotechnology 4.2%		
Genentech, Inc.*	126,160	6,844,180

	Shares	Value ($)
Pharmaceuticals 7.7%		
American Home Products Corp.	41,235	2,530,180
Pfizer, Inc.	189,662	7,558,031
Schering–Plough Corp.	70,230	2,514,936
		12,603,147
Manufacturing 6.0%		
Diversified Manufacturing		
General Electric Co.	182,250	7,304,580
Honeywell International, Inc.	72,750	2,460,405
		9,764,985
Media 19.3%		
Broadcasting & Entertainment 8.1%		
AOL Time Warner, Inc.*	142,325	4,568,632
Metro Goldwyn Mayer, Inc.*	71,320	1,561,908
Viacom, Inc. "B"*	162,400	7,169,960
		13,300,500
Cable Television 11.2%		
Cablevision Systems Corp. "A"*	61,050	2,896,823
Cablevision Systems Corp. — Rainbow Media Group*	88,552	2,187,233
Comcast Corp. "A"*	171,955	6,190,380
Liberty Media Corp. "A"*	503,500	7,049,000
		18,323,436
Service Industries 3.2%		
Investment 1.8%		
Charles Schwab Corp.	186,112	2,879,153
Miscellaneous Commercial Services 1.4%		
Fluor Corp.	62,650	2,343,110
Technology 18.9%		
Computer Software 6.8%		
Microsoft Corp.*	127,865	8,473,614
Oracle Corp.*	190,955	2,637,089
		11,110,703
EDP Peripherals 1.4%		
Symbol Technologies, Inc.	142,220	2,258,454
Electronic Components / Distributors 2.6%		
Flextronics International Ltd.*	174,665	4,190,213
Precision Instruments 1.7%		
ASM Lithography Holding NV*	167,800	2,860,990

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Semiconductors 6.4%		
Applied Materials, Inc.*	96,030	3,850,802
Linear Technology Corp.	108,110	4,220,613
Texas Instruments, Inc.	88,425	2,475,900
		10,547,315
Total Common Stocks (Cost $169,504,093)		**150,981,756**

	Principal Amount ($)	Value ($)
Cash Equivalents 7.8%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $12,770,432)	12,770,432	**12,770,432**
Total Investment Portfolio — 100.0% (Cost $182,274,525) (a)		**163,752,188**

Notes to SVS Growth Opportunities Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $182,370,881. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $18,618,693. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $4,630,438 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $23,249,131.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets		
Investments in securities, at value (cost $182,274,525)	$	163,752,188
Cash		10,000
Dividends receivable		50,105
Interest receivable		17,859
Receivable for Portfolio shares sold		420,397
Total assets		164,250,549
Liabilities		
Payable for investments purchased		17,847
Payable for Portfolio shares redeemed		946
Accrued management fee		144,073
Other accrued expenses and payables		190,956
Total liabilities		353,822
Net assets, at value	**$**	**163,896,727**
Net Assets		
Net assets consist of:		
Net unrealized appreciation (depreciation) on investments		(18,522,337)
Accumulated net realized gain (loss)		(42,177,187)
Paid-in capital		224,596,251
Net assets, at value	**$**	**163,896,727**
Net Asset Value and redemption price per share ($163,896,727 ÷ 20,845,925 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.86**

Statement of Operations for the year ended December 31, 2001

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $7,657)	$	801,224
Interest		352,021
Total Income		1,153,245
Expenses:		
Management fee		1,394,470
Custodian and accounting fees		165,948
Auditing		23,426
Legal		7,823
Trustees' fees and expenses		7,659
Reports to shareholders		21,071
Other		4,006
Total expenses, before expense reductions		1,624,403
Expense reductions		(7,156)
Total expenses, after expense reductions		1,617,247
Net investment income (loss)		**(464,002)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		(39,346,805)
Net unrealized appreciation (depreciation) during the period on investments		7,844
Net gain (loss) on investment transactions		**(39,338,961)**
Net increase (decrease) in net assets resulting from operations	**$**	**(39,802,963)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ (464,002)	$ (176,711)
Net realized gain (loss) on investment transactions	(39,346,805)	(2,830,381)
Net unrealized appreciation (depreciation) on investment transactions during the period	7,844	(19,746,291)
Net increase (decrease) in net assets resulting from operations	(39,802,963)	(22,753,383)
Portfolio share transactions:		
Proceeds from shares sold	74,073,402	153,246,406
Cost of shares redeemed	(9,413,990)	(8,611,327)
Net increase (decrease) in net assets from Portfolio share transactions	64,659,412	144,635,079
Increase (decrease) in net assets	24,856,449	121,881,696
Net assets at beginning of period	139,040,278	17,158,582
Net assets at end of period	**$ 163,896,727**	**$ 139,040,278**

Other Information[a]

Shares outstanding at beginning of period	13,481,590	1,473,697
Shares sold	8,512,723	12,719,830
Shares redeemed	(1,148,388)	(711,937)
Net increase (decrease) in Portfolio shares	7,364,335	12,007,893
Shares outstanding at end of period	**20,845,925**	**13,481,590**

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a,b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 10.31**	**$ 11.64**	**$ 10.00**
Income (loss) from investment operations:			
Net investment income[c]	(.03)	(.02)	—
Net realized and unrealized gain (loss) on investment transactions	(2.42)	(1.31)	1.64
Total from investment operations	(2.45)	(1.33)	1.64
Net asset value, end of period	**$ 7.86**	**$ 10.31**	**$ 11.64**
Total Return (%)	(23.76)	(11.42)[d]	16.43[d]**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	164	139	17*
Ratio of expenses before expense reductions (%)	1.11	1.06	2.60*
Ratio of expenses after expense reductions (%)	1.10	1.01	1.10*
Ratio of net investment income (loss) (%)	(.31)	(.20)	(.34)*
Portfolio turnover rate (%)	34	14	1*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to December 31, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *For the period from October 29, 1999 (commencement of operations) to December 31, 1999.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized* ** *Not annualized*

The accompanying notes are an integral part of the financial statements.

SVS Index 500 Portfolio

The first half of 2001 continued one of the worst periods U.S. equity markets. After declining 11.86 percent in the first quarter, the S&P 500 rebounded in the second quarter rising 5.85 percent. Through the end of the first half, the index was down 6.70 percent.

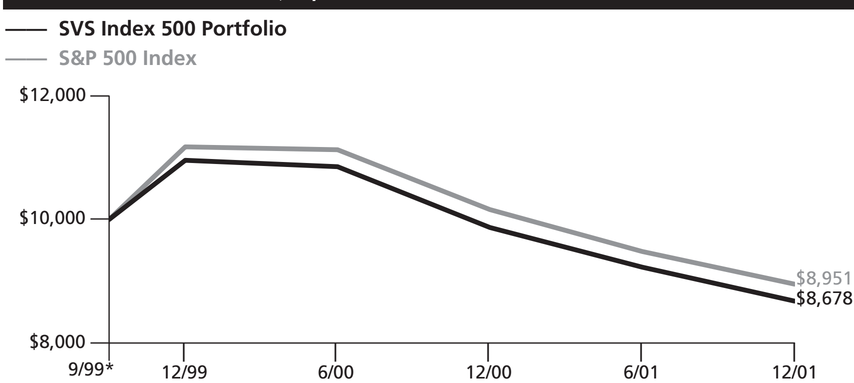
After the sharp decline of the first quarter, equity markets rebounded in the second quarter for the first positive quarterly performance since the first quarter of 2001. Equities performed better as the Federal Reserve continued its policy of monetary easing in an effort to stimulate the economy.

The second half of 2001 saw the almost unprecedented shutdown of U.S. markets after the terrorist attack on the World Trade Center. This coupled with a growing awareness of economic weakness resulted in the third quarter (down 14.68 percent) posting the worst quarterly performance since 1987. After markets reopened in late September and selling subsided, equities staged a rally throughout the fourth quarter finishing up 10.69 percent for the quarter.

The attacks resulted in falling consumer confidence coming on top of increasing job cuts and falling manufacturing. Even before the attack, expectations for any economic rebound were being pushed further out in time. The Federal Reserve continued its policy of monetary ease as it attempted to offset the economic slowdown that started in the technology and telecommunication sectors at the end of last year and spread to most other sectors of the economy. The index was down 5.56 percent during the second half and finished the year down 11.88 percent.

Patrick Cannon
Kai Yee Wong
Denise M. Krisko
Portfolio Managers
Deutsche Asset Management, Inc., Subadvisor to the Portfolio

Growth of an Assumed $10,000 Investment in SVS Index 500 Portfolio from 9/1/1999 to 12/31/2001



The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Average Annual Total Return[1]

For the periods ended December 31, 2001	1-Year	Life of Portfolio	
SVS Index 500 Portfolio	–12.05%	–5.90%	(Since 9/1/1999)

* *The Portfolio commenced operations on September 1, 1999. Index comparison begins August 31, 1999.*

1 *Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Index 500 Portfolio

	Shares	Value ($)
Common Stocks 93.9%		
Communications 5.3%		
Cellular Telephone 0.6%		
AT&T Wireless Services, Inc.*	51,689	742,771
Nextel Communications, Inc. "A"*	17,146	187,920
Sprint Corp. (PCS Group)*	18,820	459,396
		1,390,087
Telephone / Communications 4.7%		
ADC Telecommunications, Inc.*	16,207	74,552
Alltel Corp.	6,447	397,973
AT&T Corp.	71,595	1,298,733
Avaya, Inc.*	6,037	73,350
BellSouth Corp.	37,867	1,444,626
CenturyTel, Inc.	2,133	69,962
Citizens Communications Co.*	4,300	45,838
JDS Uniphase Corp.*	24,832	216,783
Qwest Communications International, Inc.	33,496	473,298
SBC Communications, Inc.	67,083	2,627,641
Sprint Corp.	18,778	377,062
Verizon Communications, Inc.	53,710	2,549,077
WorldCom, Inc.*	58,162	818,921
		10,467,816
Construction 0.4%		
Building Materials 0.0%		
Vulcan Materials Co.	1,610	77,183
Building Products 0.2%		
Georgia-Pacific Corp.	3,741	103,289
Masco Corp.	10,026	245,637
		348,926
Forest Products 0.1%		
Louisiana-Pacific Corp.	1,880	15,867
Westvaco Corp.	1,707	48,564
Weyerhaeuser Co.	4,832	261,315
		325,746
Homebuilding 0.1%		
KB HOME	1,427	57,223
Pulte Homes, Inc.	995	44,447
		101,670
Consumer Discretionary 7.7%		
Apparel & Shoes 0.2%		
Jones Apparel Group, Inc.*	2,566	85,114
Liz Claiborne, Inc.	883	43,929
Nike, Inc. "B"	5,589	314,325
Reebok International Ltd.*	1,518	40,227
		483,595
Department & Chain Stores 5.8%		
Bed Bath & Beyond, Inc.*	6,180	209,502
Best Buy Co., Inc.*	4,023	299,633
Costco Wholesale Corp.*	9,303	412,867
CVS Corp.	7,484	221,526
Dillard's, Inc.	1,351	21,616
Dollar General Corp.	6,412	95,539
Federated Department Stores, Inc.*	3,228	132,025
Gap, Inc.	18,184	253,485
Home Depot, Inc.	46,455	2,369,670
J.C. Penney Co., Inc.	5,767	155,132
Kmart Corp.*	11,866	64,788
Kohl's Corp.*	6,641	467,792
Lowe's Companies, Inc.	15,148	703,019
Nordstrom, Inc.	2,238	45,275
Sears, Roebuck & Co.	6,523	310,756
Target Corp.	18,529	760,615
The Limited, Inc.	7,681	113,064
The May Department Stores Co.	6,400	236,672
TJX Companies, Inc.	5,652	225,289
Wal-Mart Stores, Inc.	88,696	5,104,455
Walgreen Co.	20,979	706,153
		12,908,873
Home Furnishings 0.1%		
Newell Rubbermaid, Inc.	5,846	161,174
Tupperware Corp.	909	17,498
		178,672
Hotels & Casinos 0.4%		
Carnival Corp. "A"	12,347	346,704
Harrah's Entertainment, Inc.*	1,919	71,022
Hilton Hotels Corp.	6,040	65,957
Marriott International, Inc. "A"	5,355	217,681
Starwood Hotels & Resorts Worldwide, Inc.	4,463	133,221
		834,585
Recreational Products 0.3%		
Brunswick Corp.	1,421	30,921
Harley-Davidson, Inc.	6,430	349,213
Hasbro, Inc.	2,827	45,882
International Game Technology*	1,640	112,012

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Mattel, Inc.	8,363	143,844
		681,872
Restaurants 0.5%		
Darden Restaurants, Inc.	1,955	69,207
McDonald's Corp.	25,538	675,991
Starbucks Corp.*	8,280	157,734
Tricon Global Restaurants, Inc.*	3,177	156,308
Wendy's International, Inc.	1,811	52,827
		1,112,067
Specialty Retail 0.4%		
AutoZone, Inc.*	2,409	172,966
Big Lots, Inc.	1,792	18,637
Circuit City Stores, Inc.	4,523	117,372
Family Dollar Stores, Inc.	2,779	83,314
Office Depot, Inc.*	6,903	127,982
RadioShack Corp.	2,970	89,397
Staples, Inc.*	9,893	184,999
Tiffany & Co.	2,300	72,381
Toys ''R'' Us, Inc.*	4,292	89,016
		956,064
Consumer Staples 7.2%		
Alcohol & Tobacco 1.3%		
Adolph Coors Co.	1,068	57,031
Anheuser-Busch Companies, Inc.	17,618	796,510
Brown-Forman Corp. "B"	1,090	68,234
Philip Morris Companies, Inc.	42,735	1,959,400
UST, Inc.	3,411	119,385
		3,000,560
Consumer Electronic and Photographic 0.1%		
Eastman Kodak Co.	5,659	166,544
Maytag Corp.	1,148	35,622
Whirlpool Corp.	1,599	117,255
		319,421
Consumer Specialties 0.0%		
American Greeting Corp. "A"	1,100	15,158
Farming 0.1%		
Archer-Daniels-Midland Co.	11,571	166,044
Food & Beverage 3.7%		
Albertson's, Inc.	8,304	261,493
Campbell Soup Co.	7,399	221,008
Coca-Cola Co., Inc.	49,756	2,345,995
Coca-Cola Enterprises, Inc.	8,376	158,641
ConAgra, Inc.	11,522	273,878
General Mills, Inc.	7,127	370,675
H.J. Heinz Co.	7,459	306,714
Hershey Foods Corp.	2,876	194,705

	Shares	Value ($)
Kellogg Co.	8,982	270,358
Kroger Co.*	17,189	358,734
Pepsi Bottling Group, Inc.	5,800	136,300
PepsiCo, Inc.	34,440	1,676,884
Safeway, Inc.*	9,971	416,289
Sara Lee Corp.	16,806	373,597
Supervalu, Inc.	2,070	45,788
Unilever NV	11,926	687,057
William Wrigley Jr. Co.	3,870	198,802
Winn-Dixie Stores, Inc.	2,257	32,162
		8,329,080
Package Goods / Cosmetics 2.0%		
Alberto-Culver Co. "B"	900	40,266
Avon Products, Inc.	4,053	188,465
Clorox Co.	4,630	183,117
Colgate-Palmolive Co.	11,151	643,970
Gillette Co.	21,789	727,753
International Flavors & Fragrances, Inc.	1,511	44,892
Kimberly-Clark Corp.	10,981	656,664
Procter & Gamble Co.	25,591	2,025,016
		4,510,143
Textiles 0.0%		
V.F. Corp.	1,821	71,037
Durables 2.6%		
Aerospace 0.9%		
Boeing Co.	16,368	634,751
Goodrich Corp.	2,432	64,740
Lockheed Martin Corp.	9,244	431,417
Northrop Grumman Corp.	2,325	234,383
Rockwell International Corp.	3,256	58,152
United Technologies Corp.	9,757	630,595
		2,054,038
Automobiles 0.7%		
Cummins, Inc.	762	29,367
Dana Corp.	2,357	32,715
Delphi Automotive Systems Corp.	9,983	136,368
Ford Motor Co.	37,700	592,644
General Motors Corp.	11,534	560,552
Genuine Parts Co.	2,709	99,420
Navistar International Corp.	1,521	60,080
		1,511,146
Construction / Agricultural Equipment 0.3%		
Caterpillar, Inc.	6,417	335,288
Deere & Co.	4,858	212,100
PACCAR, Inc.	1,849	121,331
		668,719

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Leasing Companies 0.0%		
Ryder System, Inc.	1,252	27,732
Telecommunications Equipment 0.6%		
Andrew Corp.*	1,880	41,153
CIENA Corp.*	6,500	93,015
Lucent Technologies, Inc.	68,569	431,299
Nortel Networks Corp.	64,112	480,840
Palm, Inc.*	11,178	43,371
Scientific-Atlanta, Inc.	2,568	61,478
Tellabs, Inc.*	8,224	123,607
		1,274,763
Tires 0.1%		
Cooper Tire & Rubber Co.	1,149	18,338
Goodyear Tire & Rubber Co.	4,120	98,097
		116,435
Energy 6.6%		
Engineering 0.0%		
McDermott International, Inc.*	877	10,761
Oil & Gas Production 4.3%		
Anadarko Petroleum Corp.	4,588	260,828
Apache Corp.	2,544	126,910
Burlington Resources, Inc.	3,414	128,162
Conoco, Inc.	13,438	380,295
Devon Energy Corp.	2,531	97,823
El Paso Corp.	10,141	452,390
EOG Resources, Inc.	2,739	107,122
Exxon Mobil Corp.	135,998	5,344,721
Kerr-McGee Corp.	1,570	86,036
Nabors Industries, Inc.*	3,398	116,653
Nisource, Inc.	4,751	109,558
Occidental Petroleum Corp.	8,335	221,128
Royal Dutch Petroleum Co.	43,085	2,112,027
		9,543,653
Oil / Gas Transmission 0.4%		
Dynegy, Inc.	6,684	170,442
Kinder Morgan, Inc.	2,564	142,789
Niagara Mohawk Holdings, Inc.	2,539	45,016
Sempra Energy	3,376	82,881
Sunoco, Inc.	1,602	59,819
Williams Companies, Inc.	11,150	284,548
		785,495
Oil Companies 1.4%		
Amerada Hess Corp.	1,376	86,000
Ashland, Inc.	1,115	51,379
ChevronTexaco Corp.	20,953	1,877,561
Phillips Petroleum Co.	7,919	477,211
Unocal Corp.	5,159	186,085
USX Marathon Group	6,522	195,660

	Shares	Value ($)
Xcel Energy, Inc.	6,687	185,497
		3,059,393
Oilfield Services / Equipment 0.5%		
Baker Hughes, Inc.	6,332	230,928
Halliburton Co.	7,891	103,372
Noble Drilling Corp.*	3,100	105,524
Rowan Companies, Inc.*	2,477	47,979
Schlumberger Ltd.	11,121	611,099
		1,098,902
Financial 15.8%		
Banks 5.7%		
AmSouth Bancorp	5,845	110,471
Bank of America Corp.	30,915	1,946,099
Bank of New York Co., Inc.	14,079	574,423
Bank One Corp.	23,962	935,716
BB&T Corp.	8,042	290,397
Fifth Third Bancorp	12,024	740,438
FleetBoston Financial Corp.	21,780	794,970
Golden West Financial Corp.	3,403	200,267
Huntington Bancshares, Inc.	4,010	68,932
KeyCorp	6,760	164,538
MBNA Corp.	17,614	620,013
Mellon Financial Corp.	9,617	361,792
National City Corp.	12,570	367,547
Northern Trust Corp.	4,949	298,029
PNC Financial Services Group	6,237	350,519
Regions Financial Corp.	3,664	110,067
SouthTrust Corp.	7,638	188,429
State Street Corp.	5,790	302,528
SunTrust Banks, Inc.	6,195	388,427
U.S. Bancorp	40,046	838,163
Union Planters Corp.	2,184	98,564
Wachovia Corp.	28,176	883,599
Washington Mutual, Inc.	16,368	535,234
Wells Fargo & Co.	34,616	1,504,065
Zions Bancorp	2,100	110,418
		12,783,645
Consumer Finance 0.8%		
Amercian Express Co.	26,075	930,617
Capital One Finance Corp.	3,951	213,156
Household International, Inc.	9,599	556,166
Synovus Financial Corp.	4,582	114,779
		1,814,718
Insurance 3.8%		
AFLAC, Inc.	11,412	280,279
Allstate Corp.	15,024	506,309
AMBAC Financial Group, Inc.	1,667	96,453
American International Group, Inc.	51,952	4,124,989

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Aon Corp.	4,983	176,996
Chubb Corp.	3,787	261,303
CIGNA Corp.	3,084	285,733
Cincinnati Financial Corp.	2,781	106,095
Conseco, Inc.*	7,317	32,634
Hartford Financial Services Group, Inc.	5,164	324,454
Jefferson-Pilot Corp.	2,373	109,799
John Hancock Financial Services, Inc.	6,544	270,267
Lincoln National Corp.	4,001	194,329
MBIA, Inc.	2,925	156,868
MetLife, Inc.	15,100	478,368
MGIC Investment Corp.	1,677	103,504
Progressive Corp.	1,537	229,474
Safeco Corp.	3,305	102,951
St. Paul Companies, Inc.	4,542	199,712
Torchmark Corp.	2,089	82,160
Unum Provident Corp.	3,916	103,813
XL Capital Ltd. "A"	2,400	219,264
		8,445,754
Other Financial Companies 5.3%		
Charter One Financial, Inc.	3,467	94,130
Citigroup, Inc.	102,388	5,168,546
Comerica, Inc.	4,146	237,566
Countrywide Credit Industries, Inc.	1,831	75,016
Fannie Mae	19,665	1,563,368
Freddie Mac	14,245	931,623
J.P. Morgan Chase & Co.	38,648	1,404,855
Marsh & McLennan Companies, Inc.	5,711	613,647
Morgan Stanley Dean Witter & Co.	21,534	1,204,612
Providian Financial Corp.	7,014	24,900
T. Rowe Price Group, Inc.	2,953	102,558
USA Education, Inc.	2,843	238,869
		11,659,690
Real Estate 0.2%		
Equity Office Properties Trust (REIT)	8,400	252,672
Equity Residential Properties Trust (REIT)	4,700	134,937
		387,609
Health 13.5%		
Biotechnology 1.0%		
Amgen, Inc.*	20,614	1,163,454
Biogen, Inc.*	2,625	150,544
Chiron Corp.*	4,000	175,360
Genzyme Corp.*	3,900	233,454
Immunex Corp.*	11,000	304,810
MedImmune, Inc.*	4,348	201,530
PPL Corp.	2,379	82,908
		2,312,060
Health Industry Services 0.7%		
Aetna, Inc.	2,350	77,527
Cardinal Health, Inc.	9,131	590,410
HEALTHSOUTH Corp.*	8,935	132,417
Humana, Inc.*	2,700	31,833
IMS Health, Inc.	6,516	127,127
McKesson, Inc.	6,190	231,506
PerkinElmer, Inc.	2,920	102,258
Quintiles Transnational Corp.*	1,911	30,729
Wellpoint Health Networks, Inc.*	1,157	135,195
		1,459,002
Hospital Management 0.6%		
HCA, Inc.	10,721	413,187
Health Management Associates, Inc.*	4,000	73,600
Manor Care, Inc.*	2,238	53,063
Tenet Healthcare Corp.	6,915	406,049
UnitedHealth Group, Inc.	5,924	419,241
		1,365,140
Medical Supply & Specialty 4.0%		
Abbott Laboratories	31,482	1,755,123
Applied Biosystems Group — Applera Corp.	4,641	182,252
Bausch & Lomb, Inc.	882	33,216
Baxter International, Inc.	11,418	612,347
Becton, Dickinson & Co.	5,459	180,966
Biomet, Inc.	5,812	179,591
Boston Scientific Corp.*	8,477	204,465
C.R. Bard, Inc.	1,358	87,591
Guidant Corp.*	5,767	287,197
Johnson & Johnson	60,844	3,595,880
Medtronic, Inc.	24,473	1,253,262
St. Jude Medical, Inc.*	1,715	133,170
Stryker Corp.	3,799	221,748
Zimmer Holdings, Inc.*	3,173	96,903
		8,823,711
Pharmaceuticals 7.2%		
Allergan, Inc.	2,891	216,970
American Home Products Corp.	26,753	1,641,564
AmerisourceBergen Corp.	2,044	129,896
Bristol-Myers Squibb Co.	39,231	2,000,781
Eli Lilly & Co.	22,565	1,772,255
Forest Laboratories*	3,310	271,255
King Pharmaceuticals, Inc.	4,498	189,501

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Merck & Co., Inc.	45,109	2,652,409
Pfizer, Inc.	125,173	4,988,144
Pharmacia Corp.	26,305	1,121,908
Schering-Plough Corp.	29,847	1,068,821
Watson Pharmaceuticals, Inc.*	2,250	70,628
		16,124,132
Manufacturing 8.9%		
Chemicals 0.9%		
Dow Chemical Co.	17,891	604,358
E.I. du Pont de Nemours & Co.	21,090	896,536
Eastman Chemical Co.	1,243	48,502
Engelhard Corp.	2,100	58,128
Great Lakes Chemicals Corp.	800	19,424
Hercules, Inc.	1,807	18,070
Mead Corp.	1,638	50,598
Praxair, Inc.	3,334	184,204
Rohm & Haas Co.	4,326	149,809
Sigma-Aldrich Corp.	1,668	65,736
		2,095,365
Containers & Paper 0.4%		
Bemis Co., Inc.	856	42,098
Boise Cascade Corp.	1,869	63,565
International Paper Co.	10,152	409,633
Pactiv Corp.*	2,698	47,890
Sealed Air Corp.*	1,895	77,354
Temple-Inland, Inc.	768	43,569
Willamette Industries, Inc.	2,574	134,157
		818,266
Diversified Manufacturing 6.0%		
Ball Corp.	700	49,490
Cooper Industries, Inc.	2,151	75,113
Crane Co.	914	23,435
Dover Corp.	3,678	136,343
Eaton Corp.	1,416	105,365
Fortune Brands, Inc.	2,409	95,372
General Electric Co.	197,772	7,926,702
Honeywell International, Inc.	15,413	521,268
Illinois Tool Works, Inc.	6,518	441,399
ITT Industries, Inc.	1,419	71,660
Leggett & Platt, Inc.	3,057	70,311
Loews Corp.	3,834	212,327
Minnesota Mining & Manufacturing Co.	7,810	923,220
Textron, Inc.	3,243	134,455
Thermo Electron Corp.*	3,005	71,699
TRW, Inc.	2,000	74,080

	Shares	Value ($)
Tyco International Ltd.	39,542	2,329,024
		13,261,263
Electrical Products 0.3%		
American Power Conversion Corp.*	3,523	50,943
Emerson Electric Co.	8,862	506,020
Power-One, Inc.*	1,282	13,346
Thomas & Betts Corp.	1,227	25,951
		596,260
Hand Tools 0.2%		
Black & Decker Corp.	1,894	71,461
Danaher Corp.	3,047	183,765
Snap-On, Inc.	893	30,058
Stanley Works	1,885	87,784
		373,068
Industrial Specialty 0.6%		
Avery Dennison Corp.	1,815	102,602
Centex Corp.	1,384	79,013
Corning, Inc.	16,434	146,591
Pall Corp.	1,953	46,989
PPG Industries, Inc.	3,605	186,451
QUALCOMM, Inc.*	15,014	758,207
Sherwin-Williams Co.	2,604	71,610
		1,391,463
Machinery / Components / Controls 0.3%		
Ingersoll-Rand Co.	3,911	163,519
Johnson Controls, Inc.	2,015	162,711
Millipore Corp.	731	44,372
Parker-Hannifin Corp.	2,698	123,865
Pitney Bowes, Inc.	5,491	206,517
Visteon Corp.	2,094	31,494
		732,478
Office Equipment / Supplies 0.1%		
Lexmark International Group, Inc. "A"*	2,770	163,430
Xerox Corp.	15,284	159,259
		322,689
Specialty Chemicals 0.1%		
Air Products & Chemicals, Inc.	4,685	219,773
Wholesale Distributors 0.0%		
W.W. Grainger, Inc.	1,474	70,752
Media 3.7%		
Advertising 0.3%		
Interpublic Group of Companies, Inc.	8,099	239,244
Omnicom Group, Inc.	3,431	306,560

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
TMP Worldwide, Inc.*	2,356	101,072
		646,876
Broadcasting & Entertainment 2.7%		
AOL Time Warner, Inc.*	88,040	2,826,084
Clear Channel Communications, Inc.*	11,426	581,698
Univision Communication, Inc.*	4,000	161,840
Viacom, Inc. "B"*	35,814	1,581,188
Walt Disney Co.	40,446	838,041
		5,988,851
Cable Television 0.3%		
Comcast Corp. "A"*	19,440	699,840
Print Media 0.4%		
Gannett Co., Inc.	5,732	385,362
Knight-Ridder, Inc.	1,434	93,110
Meredith Corp.	800	28,520
New York Times Co. "A"	3,561	154,013
Tribune Co.	5,688	212,902
		873,907
Metals and Minerals 0.7%		
Precious Metals 0.2%		
Barrick Gold Corp.	10,274	163,864
Freeport McMoRan Copper & Gold, Inc. "B"	2,387	31,962
Newmont Mining Corp.	4,115	78,638
Placer Dome, Inc.	5,346	58,430
		332,894
Steel & Metals 0.5%		
Alcan, Inc.	7,082	254,231
Alcoa, Inc.	16,697	593,578
Allegheny Technologies, Inc.	1,267	21,222
Inco Ltd.	2,918	49,431
Nucor Corp.	1,876	99,353
Phelps Dodge Corp.	1,954	63,310
USX-US Steel Group, Inc.	1,461	26,459
Worthington Industries, Inc.	1,426	20,249
		1,127,833
Service Industries 3.8%		
EDP Services 1.0%		
Automatic Data Processing, Inc.	12,738	750,268
Electronic Data Systems Corp.	9,240	633,402
First Data Corp.	7,940	622,893
Fiserv, Inc.	4,101	173,554
Sapient Corp.*	1,872	14,452
		2,194,569
Environmental Services 0.3%		
Allied Waste Industries*	4,039	56,788
Transocean Sedco Forex, Inc.	5,824	196,968
Waste Management, Inc.	12,882	411,065
		664,821
Investment 0.9%		
Bear Stearns Companies, Inc.	1,885	110,536
Charles Schwab Corp.	28,221	436,579
Franklin Resources, Inc.	4,890	172,470
Lehman Brothers Holdings, Inc.	4,391	293,319
Merrill Lynch & Co., Inc.	16,499	859,928
Stilwell Financial, Inc.	5,056	137,624
		2,010,456
Miscellaneous Commercial Services 1.0%		
Cintas Corp.	3,600	172,800
Concord EFS, Inc.*	10,414	341,371
Convergys Corp.*	3,747	140,475
Ecolab, Inc.	2,043	82,231
Fluor Corp.	1,325	49,555
Moody's Corp.	2,494	99,411
NCR Corp.*	1,494	55,069
Paychex, Inc.	7,848	274,994
Robert Half International, Inc.*	3,100	82,770
Sabre Group Holdings, Inc. "A"	2,761	116,928
Siebel Systems, Inc.*	9,459	264,663
Sysco Corp.	14,224	372,953
Tektronix, Inc.*	1,524	39,289
		2,092,509
Miscellaneous Consumer Services 0.4%		
Cendant Corp.*	18,466	362,118
H&R Block, Inc.	3,476	155,377
TXU Corp.	6,026	284,126
Yahoo!, Inc.*	10,966	194,537
		996,158
Printing / Publishing 0.2%		
Deluxe Corp.	1,109	46,112
Dow Jones & Co., Inc.	1,420	77,717
Equifax, Inc.	2,324	56,125
McGraw-Hill, Inc.	4,227	257,762
R.R. Donnelley & Sons Co.	1,864	55,342
		493,058
Technology 14.9%		
Computer Software 4.6%		
Adobe Systems, Inc.	4,470	138,794
Autodesk, Inc.	1,209	45,059
BMC Software, Inc.*	3,908	63,974
Citrix Systems, Inc.*	3,864	87,558

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Computer Associates International, Inc.	11,965	412,673
Compuware Corp.*	7,646	90,146
Comverse Technologies, Inc.*	4,073	91,113
Intuit, Inc.*	4,200	179,592
Microsoft Corp.*	107,374	7,115,675
NVIDIA Corp.	2,900	194,010
Oracle Corp.*	111,825	1,544,303
Parametric Technology Corp.*	5,591	43,666
PeopleSoft, Inc.*	6,164	247,793
Rockwell Collins, Inc.	2,856	55,692
		10,310,048
Diverse Electronic Products 0.5%		
Molex, Inc.	4,391	135,901
Motorola, Inc.	45,430	682,359
Solectron Corp.*	14,640	165,139
Teradyne, Inc.*	3,174	95,664
		1,079,063
EDP Peripherals 0.6%		
EMC Corp.*	43,348	582,597
Mercury Interactive Corp.*	1,690	57,426
Network Appliance, Inc.*	7,012	153,352
Symbol Technologies, Inc.	3,650	57,962
VERITAS Software Corp.*	8,080	362,146
		1,213,483
Electronic Components / Distributors 0.2%		
Applied Micro Circuits Corp.*	6,600	74,712
Broadcom Corp. "A"*	5,252	215,227
Jabil Circuit, Inc.*	3,100	70,432
PMC-Sierra, Inc.*	3,773	80,214
		440,585
Electronic Data Processing 3.5%		
Apple Computer, Inc.*	7,291	159,673
Compaq Computer Corp.	32,571	317,893
Dell Computer Corp.*	52,147	1,417,355
Gateway, Inc.*	5,277	42,427
Hewlett-Packard Co.	39,563	812,624
International Business Machines Corp.	34,263	4,144,452
Sun Microsystems, Inc.*	63,682	786,473
Unisys Corp.*	4,980	62,449
		7,743,346
Military Electronics 0.3%		
Computer Sciences Corp.*	2,936	143,805
General Dynamics Corp.	4,280	340,859

	Shares	Value ($)
Raytheon Co.	8,197	266,157
		750,821
Office / Plant Automation 0.0%		
Novell, Inc.*	8,175	37,523
Precision Instruments 0.1%		
Agilent Technologies, Inc.*	9,448	269,362
Waters Corp.*	2,600	100,750
		370,112
Semiconductors 3.9%		
Advanced Micro Devices, Inc.*	6,995	110,941
Altera Corp.*	7,946	168,614
Analog Devices, Inc.*	6,928	307,534
Applied Materials, Inc.*	15,903	637,710
Conexant Systems, Inc.*	5,680	81,565
Intel Corp.	133,628	4,202,601
KLA-Tencor Corp.*	3,995	197,992
Linear Technology Corp.	6,600	257,664
LSI Logic Corp.*	7,513	118,555
Maxim Integrated Products, Inc.*	6,290	330,288
Micron Technology, Inc.*	11,503	356,593
National Semiconductor Corp.*	4,001	123,191
Novellus Systems, Inc.*	3,201	126,279
QLogic Corp.*	2,041	90,845
Sanmina Corp.*	11,032	219,537
Texas Instruments, Inc.	34,095	954,660
Vitesse Semiconductor Corp.*	3,800	47,348
Xilinx, Inc.*	6,230	243,282
		8,575,199
Telecommunications Equipment 1.2%		
Cisco Systems, Inc.*	145,849	2,641,325
Transportation 0.7%		
Air Freight 0.1%		
FedEx Corp.*	5,996	311,072
Airlines 0.2%		
AMR Corp.	3,747	83,071
Delta Air Lines, Inc.	1,994	58,344
Southwest Airlines Co.	14,998	277,163
US Airways Group, Inc.*	2,290	14,519
		433,097
Railroads 0.4%		
Burlington Northern Santa Fe Corp.	7,279	207,670
CSX Corp.	4,774	167,329
Norfolk Southern Corp.	6,285	115,204
Union Pacific Corp.	5,305	302,385
		792,588

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Utilities 2.1%		
Electric Utilities 2.0%		
AES Corp.*	9,271	151,581
Allegheny Energy, Inc.	2,010	72,802
Ameren Corp.	2,197	92,933
American Electric Power Co.	6,980	303,839
Calpine Corp.*	4,780	80,256
CINergy Corp.	3,849	128,672
CMS Energy Corp.	3,256	78,242
Consolidated Edison, Inc.	3,444	139,000
Constellation Energy Group, Inc.	2,610	69,296
Dominion Resources, Inc.	5,822	349,902
DTE Energy Co.	2,646	110,973
Duke Energy Corp.	15,228	597,851
Edison International	5,267	79,532
Entergy Corp.	4,731	185,029
Exelon Corp.	7,002	335,256
FirstEnergy Corp.	6,163	215,565
FPL Group, Inc.	3,008	169,651
Mirant Corp.*	13,165	210,903
PG&E Corp.	6,831	131,428
Pinnacle West Capital Corp.	1,308	54,740
Progress Energy, Inc.	3,523	158,641
Progress Energy, Inc.*	814	342
Public Service Enterprise Group, Inc.	4,874	205,634
Southern Co.	15,198	385,269
TECO Energy, Inc.	2,800	73,472
		4,380,809
Natural Gas Distribution 0.1%		
KeySpan Corp.	2,232	77,339
NICOR, Inc.	706	29,398
Peoples Energy Corp.	528	20,027
Reliant Energy, Inc.	5,965	158,192
		284,956
Total Common Stocks (Cost $226,866,284)		**208,972,273**

	Principal Amount ($)	Value ($)
U.S. Treasury Obligations 0.2%		
U.S. Treasury Bill, 1.79%**, 1/17/2002 (c) (Cost $514,539)	515,000	**514,646**
Cash Equivalents 5.9%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $13,037,846)	13,037,846	**13,037,846**
Total Investment Portfolio — 100.0% (Cost $240,418,669) (a)		**222,524,765**

Notes to SVS Index 500 Portfolio of Investments

* *Non–income producing security.*

** *Annualized yield at time of purchase; not a coupon rate.*

(a) *The cost for federal income tax purposes was $243,500,587. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $20,975,822. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $10,189,862 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $31,165,684.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

(c) *At December 31, 2001, these securities, in part or in whole, have been segregated to cover initial margin requirements for open futures contracts.*

At December 31, 2001, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)
S&P 500 Index Future	3/16/2002	31	8,841,511	8,889,250
Total unrealized appreciation on open futures contracts				**47,739**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets	
Investments in securities, at value (cost $240,418,669)	$ 222,524,765
Receivable for investments sold	32,220
Dividends receivable	199,582
Interest receivable	16,507
Receivable for Portfolio shares sold	1,362,597
Total assets	224,135,671
Liabilities	
Payable for investments purchased	4,655,212
Payable for Portfolio shares redeemed	71
Payable for daily variation margin on open futures contracts	78,495
Accrued management fee	54,107
Other accrued expenses and payables	38,154
Total liabilities	4,826,039
Net assets, at value	**$ 219,309,632**
Net Assets	
Net assets consist of:	
Undistributed net investment income (loss)	1,054,611
Net unrealized appreciation (depreciation) on:	
Investments	(17,893,904)
Futures	47,739
Accumulated net realized gain (loss)	(7,055,125)
Paid-in capital	243,156,311
Net assets, at value	**$ 219,309,632**
Net Asset Value and redemption price per share ($219,309,632 ÷ 25,657,004 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 8.55**

Statement of Operations for the year ended December 31, 2001

Investment Income	
Income:	
Dividends (net of foreign taxes withheld $7,733)	$ 1,813,986
Interest	182,001
Total Income	1,995,987
Expenses:	
Management fee	615,130
Custodian and accounting fees	220,586
Auditing	18,930
Legal	5,594
Trustees' fees and expenses	6,401
Reports to shareholders	22,492
Other	23,755
Total expenses, before expense reductions	912,888
Expense reductions	(142,037)
Total expenses, after expense reductions	770,851
Net investment income (loss)	**1,225,136**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	(5,532,259)
Futures	(261,209)
	(5,793,468)
Net unrealized appreciation (depreciation) during the period on:	
Investments	(11,130,959)
Futures	39,369
	(11,091,590)
Net gain (loss) on investment transactions	**(16,885,058)**
Net increase (decrease) in net assets resulting from operations	**$ (15,659,922)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2001	2000
Operations:		
Net investment income (loss)	$ 1,225,136	$ 653,655
Net realized gain (loss) on investment transactions	(5,793,468)	(1,288,940)
Net unrealized appreciation (depreciation) on investment transactions during the period	(11,091,590)	(8,578,040)
Net increase (decrease) in net assets resulting from operations	(15,659,922)	(9,213,325)
Distributions to shareholders from:		
Net investment income	(599,089)	(254,548)
Net realized gains	—	(254,548)
Portfolio share transactions:		
Proceeds from shares sold	155,872,926	92,692,730
Reinvestment of distributions	599,089	509,096
Cost of shares redeemed	(23,292,796)	(13,422,943)
Net increase (decrease) in net assets from Portfolio share transactions	133,179,219	79,778,883
Increase (decrease) in net assets	116,920,208	70,056,462
Net assets at beginning of period	102,389,424	32,332,962
Net assets at end of period (including undistributed net investment income of $1,054,611 and $428,555, respectively)	**$ 219,309,632**	**$ 102,389,424**

Other Information[a]

Shares outstanding at beginning of period	10,470,034	2,951,293
Shares sold	17,850,611	8,765,173
Shares issued to shareholders in reinvestment of distributions	70,710	45,920
Shares redeemed	(2,734,351)	(1,292,352)
Net increase (decrease) in Portfolio shares	15,186,970	7,518,741
Shares outstanding at end of period	**25,657,004**	**10,470,034**

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Years Ended December 31,	2001	2000[a]	1999[a,c]
Selected Per Share Data			
Net asset value, beginning of period	**$ 9.78**	**$ 10.96**	**$ 10.00**
Income (loss) from investment operations:			
Net investment income[b]	.08	.10	.10
Net realized and unrealized gain (loss) on investment transactions	(1.26)	(1.18)	.86
Total from investment operations	(1.18)	(1.08)	.96
Less distributions from:			
Net investment income	(.05)	(.05)	—
Net realized gains on investment transactions	—	(.05)	—
Total distributions	(.05)	(.10)	—
Net asset value, end of period	**$ 8.55**	**$ 9.78**	**$ 10.96**
Total Return (%)[d]	(12.05)	(9.93)	9.55**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	219	102	32
Ratio of expenses before expense reductions (%)	.65	.88	.84*
Ratio of expenses after expense reductions (%)	.55	.54	.55*
Ratio of net investment income (loss) (%)	.88	.90	3.72*
Portfolio turnover rate (%)	13	20	1*

[a] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).*

[b] *Based on average shares outstanding during the period.*

[c] *For the period from September 1, 1999 (commencement of operations) to December 31, 1999.*

[d] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

SVS Mid Cap Growth Portfolio

The eight-month period from the inception of the SVS Mid Cap Growth Portfolio on May 1 to December 31, 2001, was not at all beneficent to mid-cap growth stocks. The Russell Midcap Growth Index tumbled 8.64 percent. For its part, the SVS Mid Cap Growth Portfolio lost 11.80 percent, underperforming the index by 3.16 percentage points.

The weakness in mid-cap growth stocks reflected investors' belief that the earnings prospects of mid-cap growth companies weren't bright enough in the short term to justify paying a premium for their shares, so the stocks fell hard. As for the portfolio's holdings, three of 10 sector positions outperformed their corresponding index sectors.

Throughout the period, we continued to pick stocks according to our time-tested principle of buying companies with earnings that are likely to exceed expectations. Of course, no investment approach, including ours, always generates strong results. But we believe our investment approach has merit over the long term, and we are remaining true to our discipline.

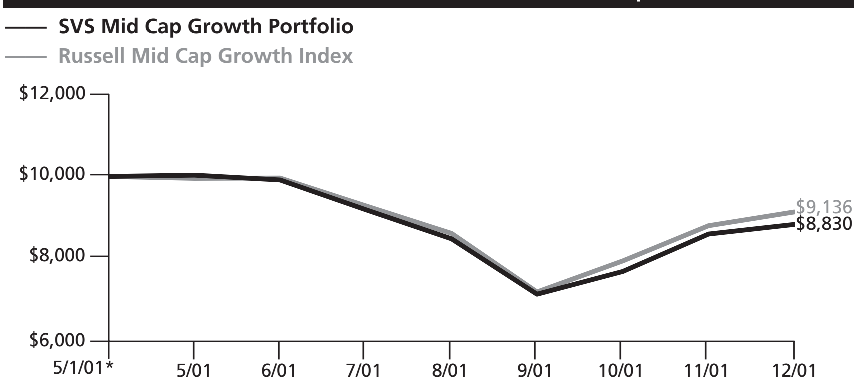
Indeed, our approach did generate strong returns in the fourth quarter: the portfolio was up 12 percent, but that wasn't enough to compensate for the losses suffered earlier. The fund's performance pattern was typical of that of our growth-stock portfolios, which have tended to perform strongly in rising markets and underperform in falling markets. We buy the stocks of companies whose earnings are expected to exceed expectations, and those tend to be the stocks with relatively high price/earnings ratios, which are hardest hit in a bear market environment.

Contributing the most to performance were our health-care holdings: they amounted to a 24 percent weighting and rose 8 percent, compared with 4 percent for the Russell Midcap Growth Index health care sector. Our technology holdings detracted most from results by far; under performing the technology sector as a whole. Specifically, they declined 40 percent, versus a 28 percent drop by the sector.

Going forward, we continue to emphasize stocks of companies that we think have the strongest earnings prospects, especially those that do well after the initial stage of an economic upswing, such as data-storage, enterprise-software, electronic-manufacturing, wireless-communications, and financial transaction-processing companies.

Christopher K. McHugh
Portfolio Manager, Turner Investment Partners, Inc.
Subadvisor to the Portfolio

Growth of an Assumed $10,000 Investment in SVS Mid Cap Growth Portfolio from 5/1/2001 to 12/31/2001



Russell Mid Cap Growth Index is an unmanaged index composed of common stocks of midcap companies with higher price-to-book ratios and higher forecasted growth values.

Cumulative Total Return[1]

For the periods ended December 31, 2001	Life of Portfolio	
SVS Mid Cap Growth Portfolio	–11.80%	(Since 5/1/2001)

* *The Portfolio commenced operations on May 1, 2001. Index comparison begins April 30, 2001.*

1 *Total return measures net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Mid Cap Growth Portfolio

	Shares	Value ($)
Common Stocks 92.1%		
Communications 0.7%		
Cellular Telephone		
Nextel Communications, Inc. "A"*	30,870	338,335
Consumer Discretionary 7.1%		
Apparel & Shoes 2.2%		
American Eagle Outfitters, Inc.*	18,400	481,528
Coach, Inc.*	8,690	338,736
Talbots, Inc.	8,550	309,938
		1,130,202
Department & Chain Stores 1.5%		
Bed Bath & Beyond, Inc.*	13,080	443,412
Best Buy Co., Inc.*	4,080	303,878
		747,290
Recreational Products 0.8%		
International Game Technology*	6,280	428,924
Specialty Retail 2.6%		
Amazon.com, Inc.*	44,510	481,598
CDW Computer Centers, Inc.*	8,940	480,167
Electronics Boutique Holdings Corp.*	8,390	335,097
		1,296,862
Consumer Staples 1.8%		
Food & Beverage		
Dean Foods Co.*	3,150	214,830
McCormick & Co., Inc.	8,440	354,227
Pepsi Bottling Group, Inc.	13,860	325,710
		894,767
Durables 2.6%		
Automobiles 0.7%		
SPX Corp.*	2,470	338,143
Telecommunications Equipment 1.9%		
Polycom, Inc.*	27,450	944,280
Energy 4.8%		
Oil & Gas Production 2.2%		
Devon Energy Corp.	6,060	234,219
Kerr–McGee Corp.	4,190	229,612
Nabors Industries, Inc.*	13,860	475,814
Pogo Producing Co.	7,470	196,237
		1,135,882

	Shares	Value ($)
Oil Companies 0.6%		
Murphy Oil Corp.	3,840	322,714
Oilfield Services / Equipment 2.0%		
BJ Services Co.*	10,530	341,699
ENSCO International, Inc.	13,760	341,936
Weatherford International, Inc.*	9,110	339,439
		1,023,074
Financial 2.9%		
Banks 0.9%		
Commerce Bancorp, Inc.	6,190	243,515
Investors Financial Services Corp.	3,430	227,100
		470,615
Insurance 0.6%		
Principal Financial Group, Inc.*	13,250	318,000
Other Financial Companies 1.4%		
Legg Mason, Inc.	6,530	326,369
The BISYS Group, Inc.*	5,690	364,103
		690,472
Health 24.3%		
Biotechnology 5.9%		
Affymetrix, Inc.*	12,460	470,365
CV Therapeutics, Inc.*	9,040	470,261
Genzyme Corp.*	13,530	809,906
IDEC Pharmaceuticals Corp.*	11,060	762,366
InterMune, Inc.*	3,840	189,158
Invitrogen Corp.*	5,190	321,417
		3,023,473
Health Industry Services 2.5%		
Anthem, Inc.*	7,120	352,440
Express Scripts, Inc. "A"*	7,730	361,455
First Health Group Corp.*	8,900	220,186
Quest Diagnostics, Inc.*	4,460	319,827
		1,253,908
Hospital Management 0.7%		
Universal Health Services, Inc.*	7,790	333,256
Medical Supply & Specialty 7.8%		
Cytyc Corp.*	8,050	210,105
DENTSPLY International, Inc.	6,260	314,252

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Guidant Corp.*	19,490	970,602
Henry Schein, Inc.*	8,200	303,646
Laboratory Corp. of America Holdings*	8,080	653,268
St. Jude Medical, Inc.*	7,920	614,988
Varian Medical Systems, Inc.*	7,740	551,552
Zimmer Holdings, Inc.*	12,230	373,504
		3,991,917
Pharmaceuticals 7.4%		
AmerisourceBergen Corp.	5,250	333,638
Andrx Group*	4,660	328,111
Aviron*	11,760	584,825
Cephalon, Inc.*	4,540	343,156
Gilead Sciences, Inc.*	9,090	597,395
Inhale Therapeutic Systems, Inc.*	11,730	217,592
King Pharmaceuticals, Inc.	21,273	896,231
OSI Pharmaceuticals, Inc.*	10,160	464,718
		3,765,666
Manufacturing 2.5%		
Chemicals 0.7%		
Cabot Microelectronics Corp.*	4,480	355,040
Containers & Paper 0.7%		
Boise Cascade Corp.	10,670	362,887
Electrical Products 0.5%		
Power–One, Inc.*	24,450	254,525
Specialty Chemicals 0.6%		
Air Products & Chemicals, Inc.	7,010	328,839
Media 4.9%		
Advertising 2.5%		
Getty Images, Inc.*	13,880	318,962
Interpublic Group of Companies, Inc.	20,420	603,207
TMP Worldwide, Inc.*	7,720	331,188
		1,253,357
Broadcasting & Entertainment 1.7%		
Univision Communication, Inc.*	10,930	442,228
USA Networks, Inc.*	7,790	212,745
Westwood One, Inc.*	7,460	224,173
		879,146
Cable Television 0.7%		
Adelphia Communications Corp.*	11,340	353,573
Service Industries 8.6%		
EDP Services 1.3%		
Affiliated Computer Services, Inc.*	1,810	192,095
Fiserv, Inc.*	11,120	470,598
		662,693

	Shares	Value ($)
Investment 3.3%		
Bear Stearns Companies, Inc.	8,230	482,607
E*TRADE Group, Inc.*	21,830	223,758
Neuberger Berman, Inc.	5,430	238,377
SEI Investments Co.	9,570	431,703
The Corporate Executive Board Co.*	7,500	275,250
		1,651,695
Miscellaneous Commercial Services 1.8%		
Apollo Group, Inc. "A"*	8,080	363,681
Robert Half International, Inc.*	12,080	322,536
University of Phoenix Online*	6,510	212,161
		898,378
Miscellaneous Consumer Services 2.2%		
EarthLink, Inc.*	18,460	224,658
Overture Services, Inc.*	9,330	330,562
Yahoo!, Inc.*	33,140	587,904
		1,143,124
Technology 31.3%		
Computer Software 11.7%		
Advent Software, Inc.*	6,670	333,167
BEA Systems, Inc.*	15,370	236,852
CNET Networks, Inc.*	55,650	499,181
Extreme Networks, Inc.*	42,550	548,895
Interwoven, Inc.*	36,790	358,335
Liberate Technologies, Inc.*	24,790	284,589
Macromedia, Inc.*	12,860	228,908
Manugistics Group, Inc.*	9,900	208,692
Mercury Interactive Corp.*	12,810	435,284
Micromuse, Inc.*	15,050	225,750
NetIQ Corp.*	6,790	239,415
NVIDIA Corp.*	7,170	479,673
Rational Software Corp.*	20,830	406,185
RSA Security, Inc.*	15,250	266,265
SmartForce PLC (ADR)*	19,560	484,110
Symantec Corp.*	7,200	477,576
TIBCO Software, Inc.*	14,460	215,888
		5,928,765
Diverse Electronic Products 1.2%		
Teradyne, Inc.*	20,020	603,403
EDP Peripherals 1.7%		
Brocade Communications Systems, Inc.*	16,040	531,245
Network Appliance, Inc.*	15,860	346,858
		878,103

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Electronic Components / Distributors 1.7%		
Broadcom Corp. "A"*	21,760	891,725
Electronic Data Processing 1.0%		
Internet Security Systems, Inc.*	15,630	501,098
Precision Instruments 2.2%		
Finisar Corp.*	56,210	571,656
Waters Corp.*	14,450	559,938
		1,131,594
Semiconductors 11.8%		
Altera Corp.*	15,460	328,061
Elantec Semiconductor, Inc.*	9,260	355,584
GlobespanVirata, Inc.*	60,090	778,166
Intersil Holding Corp.*	21,600	696,600
KLA–Tencor Corp.*	11,820	585,799
Marvell Technology Group Ltd.*	8,250	295,515
Microtune, Inc.*	18,200	426,972
Microsemi Corp.*	6,000	178,200
Novellus Systems, Inc.*	7,650	301,793
QLogic Corp.*	18,170	808,747
Sanmina Corp.*	35,110	698,689
SunGard Data Systems, Inc.*	19,030	550,538
		6,004,664
Transportation 0.6%		
Railroads		
CSX Corp.	8,550	299,678
Total Common Stocks (Cost $42,446,109)		**46,830,067**

	Principal Amount ($)	Value ($)
Cash Equivalents 7.9%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $4,022,679)	4,022,679	**4,022,679**
Total Investment Portfolio — 100.0% (Cost $46,468,788) (a)		**50,852,746**

Notes to SVS Mid Cap Growth Portfolio of Investments

* *Non–income producing security.*

(a) *The cost for federal income tax purposes was $47,093,752. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $3,758,994. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $4,307,208 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $548,214.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $46,468,788)	$	50,852,746
Receivable for investments sold		236,159
Dividends receivable		4,964
Interest receivable		6,479
Receivable for Portfolio shares sold		611,700
Total assets		51,712,048

Liabilities

Payable for investments purchased		3,438,801
Accrued management fee		62,003
Other accrued expenses and payables		20,594
Total liabilities		3,521,398
Net assets, at value	$	48,190,650

Net Assets

Net assets consist of:		
Net unrealized appreciation (depreciation) on investments		4,383,958
Accumulated net realized gain (loss)		(3,025,872)
Paid-in capital		46,832,564
Net assets, at value	**$**	**48,190,650**
Net Asset Value and redemption price per share ($48,190,650 ÷ 5,463,686 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.82**

Statement of Operations for the eight months ended December 31, 2001

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $3)	$	18,203
Interest		42,480
Total Income		60,683
Expenses:		
Management fee		112,802
Custodian and accounting fees		76,852
Auditing		2,091
Legal		2,366
Trustees' fees and expenses		551
Reports to shareholders		10,212
Other		1,160
Total expenses, before expense reductions		206,034
Expense reductions		(59,351)
Total expenses, after expense reductions		146,683
Net investment income (loss)		**(86,000)**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		(3,025,872)
Net unrealized appreciation (depreciation) during the period on investments		4,383,958
Net gain (loss) on investment transactions		**1,358,086**
Net increase (decrease) in net assets resulting from operations	**$**	**1,272,086**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Period Ended December 31, 2001[a]
Operations:	
Net investment income (loss)	$ (86,000)
Net realized gain (loss) on investment transactions	(3,025,872)
Net unrealized appreciation (depreciation) on investment transactions during the period	4,383,958
Net increase (decrease) in net assets resulting from operations	1,272,086
Portfolio share transactions:	
Proceeds from shares sold	48,203,751
Cost of shares redeemed	(1,285,187)
Net increase (decrease) in net assets from Portfolio share transactions	46,918,564
Increase (decrease) in net assets	48,190,650
Net assets at beginning of period	—
Net assets at end of period	$ 48,190,650

Other Information	
Shares outstanding at beginning of period	—
Shares sold	5,595,450
Shares redeemed	(131,764)
Net increase (decrease) in Portfolio shares	5,463,686
Shares outstanding at end of period	**5,463,686**

Financial Highlights

	2001[a]
Selected Per Share Data	
Net asset value, beginning of period	**$ 10.00**
Income (loss) from investment operations:	
Net investment income (loss)[b]	(.04)
Net realized and unrealized gain (loss) on investment transactions[d]	(1.14)
Total from investment operations	(1.18)
Net asset value, end of period	**$ 8.82**
Total Return (%)[c]	(11.80)**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period ($ millions)	48
Ratio of expenses before expense reductions (%)	1.82*
Ratio of expenses after expense reductions (%)	1.30*
Ratio of net investment income (loss) (%)	(.76)*
Portfolio turnover rate (%)	205*

[a] *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*

[b] *Based on average shares outstanding during the period.*

[c] *Total return would have been lower had certain expenses not been reduced.*

[d] *The amount of net realized and unrealized gain shown for a share outstanding for the period ending December 31, 2001 does not correspond with the aggregate net loss on investments for the period due to the timing of sales and repurchases of Portfolio shares in relation to fluctuating market values of the investments of the Portfolio.*

* *Annualized*

** *Not annualized*

The accompanying notes are an integral part of the financial statements.

SVS Strategic Equity Portfolio

By all measures, this has been an interesting year for the SVS Strategic Equity Portfolio and us all. When the turn in the economy comes, we expect earnings to grow disproportionately to revenues due to cost cutting and productivity improvements being put in place today. New technologies historically take years to show their true productive benefits. And in many cases, technology shifts have coincided remarkably well with economic recessions and recoveries. Economic slowdowns give management teams a little more breathing room to make decisions that would be tougher to make during the good times.

The path to long-term growth for most companies will continue to rest with innovation: developing new products, expanding into new markets, and creating more efficient delivery mechanisms. In this sense, the environment hasn't changed. Following the Gulf War and the recession in 1990, the same challenges prevailed. We had just come off a decade when Japan had dominated the business headlines. They were more "efficient" than the United States in just about every measure according to many. We were "permanently" behind, some said, and uncompetitive.

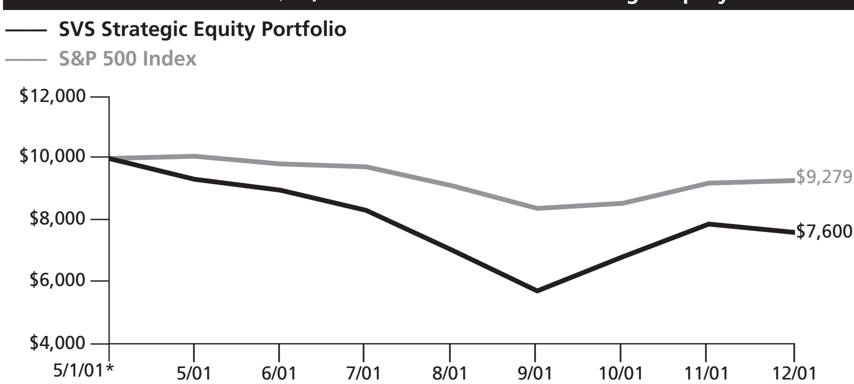
Our concentrated portfolio strategy helps us to increase our return potential, at the expense of greater short-term volatility. We increase our potential by zeroing in on only those industries and companies with the best long-term growth prospects.

The technology, health care and financial services industries still have the greatest growth opportunities ahead. Typically, technology and financial services outperform the market in an economic recovery and expansion; while more defensive industries like health care somewhat lag it. As a result, in the short-to-intermediate term, tech and finance may have greater upside. Over the long term, we include health care to achieve a more balanced, growth portfolio. Health care is a growth sector but offers some diversification in that its moves are often insensitive to the economic cycle.

This year was particularly tough for our clients. Fortunately, we believe the stage has been set for a strong rebound in 2002 and that our accounts are positioned to participate. We look forward to it.

James D. Oelschlager
Portfolio Manager, Oak Associates, Inc.
Subadvisor to the Portfolio

Growth of an Assumed $10,000 Investment in SVS Strategic Equity Portfolio from 5/1/2001 to 12/31/2001



The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Cumulative Total Return[1]

For the periods ended December 31, 2001	Life of Portfolio	
SVS Strategic Equity Portfolio	–24.00%	(Since 5/1/2001)

* *The Portfolio commenced operations on May 1, 2001. Index comparison begins April 30, 2001.*

[1] *Total return measures net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Strategic Equity Portfolio

	Shares	Value ($)
Common Stocks 92.8%		
Communications 3.7%		
Telephone / Communications		
JDS Uniphase Corp.*	190,200	1,660,446
Durables 3.7%		
Telecommunications Equipment		
CIENA Corp.*	116,000	1,659,960
Financial 18.0%		
Banks 4.4%		
MBNA Corp.	57,300	2,016,960
Consumer Finance 4.5%		
Citigroup, Inc.	40,300	2,034,344
Insurance 4.7%		
American International Group, Inc.	26,700	2,119,980
Other Financial Companies 4.4%		
Morgan Stanley Dean Witter & Co.	35,500	1,985,870
Health 21.4%		
Health Industry Services 3.1%		
Express Scripts, Inc. "A"*	30,400	1,421,504
Medical Supply & Specialty 4.5%		
Medtronic, Inc.	40,100	2,053,521
Pharmaceuticals 13.8%		
Eli Lilly & Co.	25,800	2,026,332
Merck & Co., Inc.	36,000	2,116,800
Pfizer, Inc.	52,900	2,108,065
		6,251,197
Technology 46.0%		
Computer Software 0.7%		
Openwave Systems, Inc.*	31,400	307,406
Diverse Electronic Products 2.3%		
Foundry Networks, Inc.*	126,600	1,031,790
EDP Peripherals 13.7%		
Brocade Communications Systems, Inc.*	60,200	1,993,824
EMC Corp.*	157,200	2,112,768
VERITAS Software Corp.*	46,700	2,093,094
		6,199,686
Electronic Components / Distributors 10.1%		
Cisco Systems, Inc.*	80,400	1,456,044
Juniper Networks, Inc.*	105,400	1,997,330
PMC–Sierra, Inc.*	54,300	1,154,418
		4,607,792
Semiconductors 19.2%		
Applied Materials, Inc.*	49,700	1,992,970
Linear Technology Corp.	52,200	2,037,888
Maxim Integrated Products, Inc.*	38,750	2,034,763
Vitesse Semiconductor Corp.*	44,900	559,454
Xilinx, Inc.*	53,100	2,073,555
		8,698,630
Total Common Stocks (Cost $42,084,795)		**42,049,086**

	Principal Amount ($)	Value ($)
Cash Equivalents 7.2%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $3,271,335)	3,271,335	**3,271,335**
Total Investment Portfolio — 100.0% (Cost $45,356,130) (a)		**45,320,421**

Notes to SVS Strategic Equity Portfolio of Investments

* *Non–income producing security.*

(a) *The cost for federal income tax purposes was $45,356,199. At December 31, 2001, net unrealized depreciation for all securities based on tax cost was $35,778. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,349,721 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,385,499.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $45,356,130)	$	45,320,421
Cash		10,000
Dividends receivable		13,568
Interest receivable		5,471
Receivable for Portfolio shares sold		176,111
Total assets		45,525,571

Liabilities

Payable for investments purchased		1,659,226
Payable for Portfolio shares redeemed		39
Accrued management fee		56,942
Other accrued expenses and payables		24,384
Total liabilities		1,740,591
Net assets, at value	**$**	**43,784,980**

Net Assets

Net assets consist of:		
Net unrealized appreciation (depreciation) on investments		(35,709)
Accumulated net realized gain (loss)		(321,724)
Paid-in capital		44,142,413
Net assets, at value	**$**	**43,784,980**
Net Asset Value and redemption price per share ($43,784,980 ÷ 5,764,587 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.60**

Statement of Operations for the eight months ended December 31, 2001

Investment Income

Income:		
Dividends	$	47,084
Interest		37,349
Total Income		84,433
Expenses:		
Management fee		112,052
Custodian and accounting fees		35,993
Auditing		1,591
Legal		4,824
Trustees' fees and expenses		751
Reports to shareholders		14,647
Other		1,272
Total expenses, before expense reductions		171,130
Expense reductions		(35,573)
Total expenses, after expense reductions		135,557
Net investment income (loss)		**(51,124)**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		(321,724)
Net unrealized appreciation (depreciation) during the period on investments		(35,709)
Net gain (loss) on investment transactions		**(357,433)**
Net increase (decrease) in net assets resulting from operations	**$**	**(408,557)**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Period Ended December 31, 2001[a]
Operations:	
Net investment income (loss)	$ (51,124)
Net realized gain (loss) on investment transactions	(321,724)
Net unrealized appreciation (depreciation) on investment transactions during the period	(35,709)
Net increase (decrease) in net assets resulting from operations	(408,557)
Portfolio share transactions:	
Proceeds from shares sold	44,874,963
Cost of shares redeemed	(681,426)
Net increase (decrease) in net assets from Portfolio share transactions	44,193,537
Increase (decrease) in net assets	43,784,980
Net assets at beginning of period	—
Net assets at end of period	**$ 43,784,980**

Other Information

Shares outstanding at beginning of period	—
Shares sold	5,857,695
Shares redeemed	(93,108)
Net increase (decrease) in Portfolio shares	5,764,587
Shares outstanding at end of period	**5,764,587**

Financial Highlights

	2001[a]
Selected Per Share Data	
Net asset value, beginning of period	**$ 10.00**
Income (loss) from investment operations:	
Net investment income[b]	(.02)
Net realized and unrealized gain (loss) on investment transactions	(2.38)
Total from investment operations	(2.40)
Net asset value, end of period	**$ 7.60**
Total Return (%)[c]	(24.00)**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period ($ millions)	44
Ratio of expenses before expense reductions (%)	1.44*
Ratio of expenses after expense reductions (%)	1.15*
Ratio of net investment income (loss) (%)	(.43)*
Portfolio turnover rate (%)	3*

[a] *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*

[b] *Based on average shares outstanding during the period.*

[c] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

The accompanying notes are an integral part of the financial statements.

SVS Venture Value Portfolio

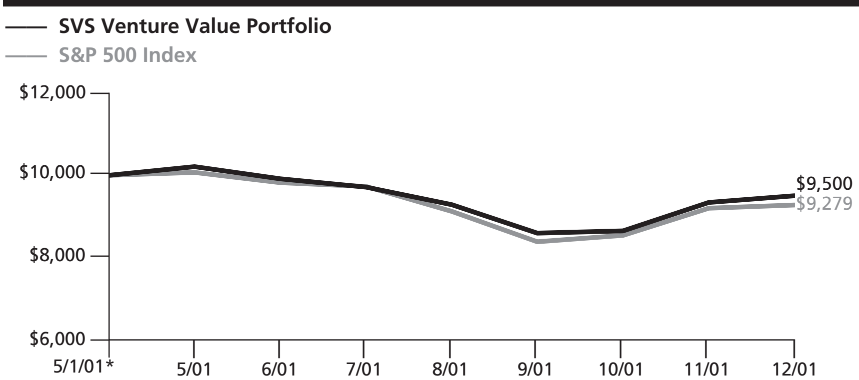
During the period from May 1, 2001 (inception) to December 31, 2001, the SVS Venture Value Portfolio outperformed the major value indices as well as the broader market as measured by the S&P 500 Index. Despite overall performance that was negative, some positions performed well in 2001. These tended to be shares of companies whose strong financial positions allowed them to better weather difficult economic periods or companies whose shares were poised to recover from previous declines. The most notable contributors to our overall performance at the sector level included capital goods, consumer cyclicals, and financials. The capital goods positions that contributed to performance included Tyco International and Sealed Air, while the consumer cyclical positions that contributed to performance included Costco Wholesale and Masco Corp. Financials, predominantly the high quality insurers Progressive Corp., Transatlantic Holdings, and Berkshire Hathaway also contributed to performance. Price weakness during the period was experienced by a diversity of sectors and industries within the portfolio in conjunction with weakness throughout the stock market. The biggest contributors to our negative performance came primarily from technology, consumer finance, and pharmaceutical companies including Tellabs, Providian Financial, American Express, and Merck.

The SVS Venture Value Portfolio continues to reflect strategic allocations to financial, capital goods, consumer products, and select pharmaceutical companies. Our allocation to technology, by contrast, declined over the period as a result of active paring and declines in technology shares. These allocations reflect long-term investment themes, based on the strong influences of demographic trends, globalization, consolidation, and business capital spending trends. It is important to recognize that we have chosen to maintain exposures to businesses that we believe will fare better over full market cycles rather than attempt to rotate from sector to sector in the short-term.

We maintain a realistic long-term view for the U.S. stock market. At the current time, inflation remains muted, consumer confidence is relatively strong, and both the Federal government and Federal Reserve are striving to invigorate the U.S. economy. However, these positive factors are balanced by the fact that many stocks remain at high valuations, and quality of earnings for many public companies is poor. Our Senior Research Advisor, Shelby M.C. Davis, concludes that the U.S. stock market may remain in a trading range for a protracted period.

Christopher C. Davis and Kenneth Charles Feinberg
Co-Portfolio Managers
Davis Selected Advisers, L.P., Subadvisor to the Portfolio

Growth of an Assumed $10,000 Investment in SVS Venture Value Portfolio from 5/1/2001 to 12/31/2001



The Standard & Poor's (S&P) 500 Index is a capitalization–weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Cumulative Total Return[1]

For the periods ended December 31, 2001	Life of Portfolio	
SVS Venture Value Portfolio	–5.00%	(Since 5/1/2001)

* *The Portfolio commenced operations on May 1, 2001. Index comparison begins April 30, 2001.*

1 *Total return measures net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.*

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

SVS Venture Value Portfolio

	Shares	Value ($)
Common Stocks 90.1%		
Construction 4.0%		
Building Materials 1.6%		
Martin Marietta Materials, Inc.	15,800	736,280
Vulcan Materials Co.	22,300	1,069,062
		1,805,342
Building Products 2.4%		
Masco Corp.	110,800	2,714,600
Consumer Discretionary 5.2%		
Department & Chain Stores 2.4%		
Costco Wholesale Corp.*	54,300	2,409,834
J.C. Penney Co., Inc.	12,700	341,630
		2,751,464
Hotels & Casinos 0.8%		
Marriott International, Inc. "A"	23,200	943,080
Restaurants 1.3%		
McDonald's Corp.	53,900	1,426,733
Specialty Retail 0.7%		
RadioShack Corp.	26,800	806,680
Consumer Staples 6.3%		
Alcohol & Tobacco 4.1%		
Philip Morris Companies, Inc.	101,200	4,640,020
Consumer Electronic and Photographic 0.5%		
Eastman Kodak Co.	19,500	573,885
Food & Beverage 1.7%		
Hershey Foods Corp.	1,000	67,700
Kraft Foods, Inc. "A"	21,400	728,242
Safeway, Inc.*	25,900	1,081,325
		1,877,267
Durables 1.0%		
Telecommunications Equipment		
Lucent Technologies, Inc.	43,100	271,099
Tellabs, Inc.*	58,700	882,261
		1,153,360
Energy 5.9%		
Oil & Gas Production 2.5%		
Conoco, Inc.	10,600	299,980
Devon Energy Corp.	39,800	1,538,270
EOG Resources, Inc.	25,900	1,012,949
		2,851,199
Oil / Gas Transmission 1.3%		
Kinder Morgan, Inc.	27,000	1,503,630
Oil Companies 2.1%		
Phillips Petroleum Co.	39,000	2,350,140
Financial 34.2%		
Banks 7.2%		
Bank One Corp.	40,400	1,577,620
Golden West Financial Corp.	37,700	2,218,645
Lloyds TSB Group PLC	22,400	1,007,776
Wells Fargo & Co.	76,100	3,306,545
		8,110,586
Consumer Finance 12.9%		
American Express Co.	167,100	5,963,799
Citigroup, Inc.	83,400	4,210,032
Household International, Inc.	75,500	4,374,470
Providian Financial Corp.	18,500	65,675
		14,613,976
Insurance 8.9%		
American International Group, Inc.	47,500	3,771,500
Aon Corp.	35,900	1,275,168
Chubb Corp.	6,100	420,900
Markel Corp.*	1,300	233,545
Principal Financial Group, Inc.*	7,800	187,200
Progressive Corp.	14,000	2,090,200
Transatlantic Holdings, Inc.	22,650	2,061,150
		10,039,663
Other Financial Companies 3.7%		
Berkshire Hathaway, Inc. "B"*	1,019	2,572,975
Morgan Stanley Dean Witter & Co.	28,400	1,588,696
		4,161,671
Real Estate 1.5%		
Avalonbay Communities, Inc. (REIT)	2,100	99,351
CenterPoint Properties Corp. (REIT)	31,800	1,583,640
		1,682,991
Health 7.6%		
Pharmaceuticals		
American Home Products Corp.	20,100	1,233,336
Bristol–Myers Squibb Co.	14,500	739,500
Eli Lilly & Co.	28,200	2,214,828

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Merck & Co., Inc.	66,700	3,921,960
Pharmacia Corp.	10,300	439,295
		8,548,919
Manufacturing 16.2%		
Containers & Paper 2.0%		
Sealed Air Corp.*	55,000	2,245,100
Diversified Manufacturing 12.0%		
Dover Corp.	35,100	1,301,157
Loews Corp.	25,600	1,417,728
Minnesota Mining & Manufacturing Co.	18,300	2,163,243
Tyco International Ltd.	146,763	8,644,314
		13,526,442
Industrial Specialty 0.0%		
Loral Space and Communications Ltd.*	17,100	51,129
Office Equipment / Supplies 2.2%		
Lexmark International, Inc.*	41,600	2,454,400
Media 1.0%		
Advertising 0.4%		
WPP Group PLC (ADR)	8,900	479,710
Print Media 0.6%		
Gannett Co., Inc.	9,900	665,577
Service Industries 2.8%		
EDP Services 1.0%		
First Data Corp.	3,700	290,265
The New Dun & Bradstreet Corp.*	24,400	861,320
		1,151,585
Investment 0.8%		
Stilwell Financial, Inc.	25,700	699,554
Sun Life Financial Services of Canada	11,200	238,844
		938,398
Miscellaneous Commercial Services 1.0%		
Moody's Corp.	26,500	1,056,290
Technology 3.1%		
Computer Software 0.4%		
BMC Software, Inc.*	25,900	423,983
Electronic Components / Distributors 1.0%		
Agere Systems, Inc. "A"*	202,200	1,150,518
Electronic Data Processing 1.1%		
Hewlett–Packard Co.	60,200	1,236,508
Office / Plant Automation 0.1%		
Novell, Inc.*	15,900	72,981
Precision Instruments 0.5%		
Agilent Technologies, Inc.*	18,300	521,733
Transportation 2.8%		
Air Freight		
United Parcel Service, Inc. "B"	58,800	3,204,600
Total Common Stocks (Cost $99,167,843)		**101,734,160**

	Principal Amount ($)	Value ($)
Cash Equivalents 9.9%		
Zurich Scudder Cash Management QP Trust, 2.05% (b) (Cost $11,141,188)	11,141,188	**11,141,188**
Total Investment Portfolio — 100.0% (Cost $110,309,031) (a)		**112,875,348**

Notes to SVS Venture Value Portfolio of Investments

* *Non–income producing security.*

(a) *The cost for federal income tax purposes was $110,309,031. At December 31, 2001, net unrealized appreciation for all securities based on tax cost was $2,566,317. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $4,780,805 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,214,488.*

(b) *Zurich Scudder Cash Management QP Trust is also managed by Zurich Scudder Investments, Inc. The rate shown is the annualized seven–day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2001

Assets

Investments in securities, at value (cost $110,309,031)	$ 112,875,348
Cash	9,368
Foreign currency, at value (cost $397)	397
Dividends receivable	122,287
Interest receivable	15,781
Receivable for Portfolio shares sold	781,455
Total assets	113,804,636

Liabilities

Payable for investments purchased	4,915,553
Accrued management fee	77,680
Other accrued expenses and payables	25,500
Total liabilities	5,018,733
Net assets, at value	**$ 108,785,903**

Net Assets

Net assets consist of:	
Undistributed net investment income (loss)	121,147
Net unrealized appreciation (depreciation) on investments	2,566,317
Accumulated net realized gain (loss)	(355,030)
Paid-in capital	106,453,469
Net assets, at value	**$ 108,785,903**
Net Asset Value and redemption price per share ($108,785,903 ÷ 11,449,266 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 9.50**

Statement of Operations for the eight months ended December 31, 2001

Investment Income

Income:	
Dividends (net of foreign taxes withheld of $74)	$ 346,059
Interest	86,851
Total Income	432,910
Expenses:	
Management fee	262,447
Custodian and accounting fees	26,717
Auditing	3,228
Legal	282
Trustees' fees and expenses	320
Reports to shareholders	7,113
Other	710
Total expenses, before expense reductions	300,817
Expense reductions	(141)
Total expenses, after expense reductions	300,676
Net investment income (loss)	**132,234**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(355,030)
Foreign currency related transactions	(11,087)
	(366,117)
Net unrealized appreciation (depreciation) during the period on investments	2,566,317
Net gain (loss) on investment transactions	**2,200,200**
Net increase (decrease) in net assets resulting from operations	**$ 2,332,434**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Period Ended December 31, 2001[a]
Operations:	
Net investment income (loss)	$ 132,234
Net realized gain (loss) on investment transactions	(366,117)
Net unrealized appreciation (depreciation) on investment transactions during the period	2,566,317
Net increase (decrease) in net assets resulting from operations	2,332,434
Portfolio share transactions:	
Proceeds from shares sold	108,920,748
Cost of shares redeemed	(2,467,279)
Net increase (decrease) in net assets from Portfolio share transactions	106,453,469
Increase (decrease) in net assets	108,785,903
Net assets at beginning of period	—
Net assets at end of period (including undistributed net investment income of $121,147 at December 31, 2001)	**$ 108,785,903**

Other Information	
Shares outstanding at beginning of period	—
Shares sold	11,724,602
Shares redeemed	(275,336)
Net increase (decrease) in Portfolio shares	11,449,266
Shares outstanding at end of period	**11,449,266**

Financial Highlights

	2001[a]
Selected Per Share Data	
Net asset value, beginning of period	**$ 10.00**
Income (loss) from investment operations:	
Net investment income[b]	.03
Net realized and unrealized gain (loss) on investment transactions[c]	(.53)
Total from investment operations	(.50)
Net asset value, end of period	**$ 9.50**
Total Return (%)	(5.00)**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period ($ millions)	109
Ratio of expenses before expense reductions (%)	1.09*
Ratio of net investment income (loss) (%)	.48*
Portfolio turnover rate (%)	15*

[a] *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*

[b] *Based on average shares outstanding during the period.*

[c] *The amount of net realized and unrealized gain shown for a share outstanding for the period ending December 31, 2001 does not correspond with the aggregate net loss on investments for the period due to the timing of sales and repurchases of Portfolio shares in relation to fluctuating market values of the investments of the Portfolio.*

* *Annualized*

** *Not annualized*

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

A. Significant Accounting Policies

Scudder Variable Series II (the "Trust"), formerly Kemper Variable Series, is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end, diversified management investment company organized as a Massachusetts business trust. Effective May 1, 2001, the Trust commenced offering four additional portfolios: SVS Dynamic Growth Portfolio, SVS Mid Cap Growth Portfolio, SVS Strategic Equity Portfolio and SVS Venture Value Portfolio. The Trust offers twenty-seven portfolios (the "portfolio(s)").

The Trust's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Trust in the preparation of its financial statements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price reported on the exchange (U.S. or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the portfolio. If the pricing services are unable to provide valuations, the securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from one or more broker-dealers. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Zurich Scudder Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value, as determined in accordance with procedures approved by the Trustees.

Foreign Currency Translations. The books and records of the Trust are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. The portfolios may enter into repurchase agreements with certain banks and broker/dealers whereby the portfolios, through their custodian or sub-custodian bank, receive delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the market value is equal to at least the principal amount of the repurchase price plus accrued interest.

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the portfolio if the option is exercised.

The liability representing the portfolio's obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked price are available. Over-the-counter written or purchased options are valued using dealer-supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the portfolio writes a covered call option, the portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the portfolio writes a put option it accepts the risk of a decline in the market value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date).

Upon entering into a futures contract, the portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the portfolio dependent upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the portfolio. When entering into a closing transaction, the portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate.

Forward contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward contract to buy and a forward contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward contracts to hedge, the portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

Mortgage Dollar Rolls. The Scudder Government Securities Portfolio may enter into mortgage dollar rolls in which the Portfolio sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities on a fixed date. The Portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase, or alternatively, in the form of a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

When-Issued/Delayed Delivery Securities. Several of the portfolios may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The value of the security may vary with market fluctuations. No interest accrues to the portfolio until payment takes place. At the time the portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Federal Income Taxes. The portfolios' policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies and to distribute all of its taxable and tax-exempt income to its shareholders. Accordingly, the portfolios paid no federal income taxes and no federal income tax provision was required.

At December 31, 2001, the following portfolios had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforward ($)	Expiration Date
Scudder Aggressive Growth Portfolio	3,153,000	12/31/2008
	5,489,000	12/31/2009
Scudder Blue Chip Portfolio	2,007,000	12/31/2006
	2,837,000	12/31/2008
	33,492,000	12/31/2009
Scudder Contrarian Value Portfolio	19,935,000	12/31/2008
Scudder Global Blue Chip Portfolio	2,711,000	12/31/2009
Scudder Government Securities Portfolio	896,000	12/31/2007

Portfolio	Capital Loss Carryforward ($)	Expiration Date
Scudder Growth Portfolio	94,268,000	12/31/2009
Scudder High Yield Portfolio	6,999,000	12/31/2002
	2,026,000	12/31/2003
	12,052,000	12/31/2007
	16,113,000	12/31/2008
	21,982,000	12/31/2009
Scudder International Research Portfolio	23,423,000	12/31/2009
Scudder Investment Grade Bond Portfolio	1,832,000	12/31/2008
Scudder New Europe Portfolio	130,000	12/31/2008
	3,820,000	12/31/2009
Scudder Small Cap Growth Portfolio	87,908,000	12/31/2009
Scudder Small Cap Value Portfolio	2,222,000	12/31/2007
Scudder Strategic Income Portfolio	177,000	12/31/2007
	153,000	12/31/2008
	103,000	12/31/2009
Scudder Technology Growth Portfolio	8,613,000	12/31/2008
	94,142,000	12/31/2009
Scudder Total Return Portfolio	57,276,000	12/31/2009
SVS Dreman Financial Services Portfolio	2,341,000	12/31/2009
SVS Dynamic Growth Portfolio	317,000	12/31/2009
SVS Focus Value+Growth Portfolio	9,619,000	12/31/2009
SVS Focused Large Cap Growth Portfolio	1,336,000	12/31/2008
	7,025,000	12/31/2009
SVS Growth and Income Portfolio	3,871,000	12/31/2008
	16,179,000	12/31/2009
SVS Growth Opportunities Portfolio	2,379,000	12/31/2008
	31,299,000	12/31/2009
SVS Index 500 Portfolio	448,000	12/31/2008
	3,267,000	12/31/2009
SVS Mid Cap Growth Portfolio	2,401,000	12/31/2009
SVS Strategic Equity Portfolio	322,000	12/31/2009
SVS Venture Value Portfolio	129,000	12/31/2009

In addition, the Scudder Growth Portfolio inherited approximately $127,000 of capital losses from its merger (see Note G) with Scudder Variable Life Large Company Growth Portfolio, which may be applied against any realized net taxable capital gains in future years or until December 31, 2007, the respective date, whichever occurs first, subject to certain limitations imposed by Section 382 of the Internal Revenue Code.

In addition, from November 1, 2001 through December 31, 2001, the following portfolios incurred approximate net realized capital losses as follows:

Portfolio	Net Realized Capital Loss ($)
Scudder Aggressive Growth Portfolio	456,000
Scudder Blue Chip Portfolio	512,000
Scudder Contrarian Value Portfolio	2,154,000
Scudder Global Blue Chip Portfolio	687,000
Scudder Growth Portfolio	2,103,000
Scudder High Yield Portfolio	6,509,000
Scudder International Research Portfolio	2,750,000
Scudder New Europe Portfolio	988,000
Scudder Small Cap Growth Portfolio	5,840,000

Portfolio	Net Realized Capital Loss ($)
Scudder Small Cap Value Portfolio	1,211,000
Scudder Technology Growth Portfolio	8,267,000
SVS Dreman Financial Services Portfolio	172,000
SVS Dreman High Return Equity Portfolio	371,000
SVS Dynamic Growth Portfolio	62,000
SVS Focus Value+Growth Portfolio	1,947,000
SVS Focused Large Cap Growth Portfolio	3,800
SVS Growth and Income Portfolio	5,715,000
SVS Growth Opportunities Portfolio	8,403,000
SVS Index 500 Portfolio	258,000
SVS Venture Value Portfolio	226,000

As permitted by tax regulations, the portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2002.

Distribution of Income and Gains. Distributions of net investment income, if any, for all portfolios except the Scudder Money Market Portfolio, are made annually. All of the net investment income of the Scudder Money Market Portfolio is declared as a daily dividend and is distributed to shareholders monthly. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, a portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the portfolio.

At December 31, 2001, the portfolios' components of distributable earnings on a tax basis are as follows:

Portfolio	Undistributed Ordinary Income ($)	Undistributed net long-term capital gains ($)	Capital loss carryforwards ($)	Unrealized appreciation (depreciation) on investments ($)
Scudder Aggressive Growth Portfolio	222,093	—	8,642,000	(15,283,097)
Scudder Blue Chip Portfolio	721,603	—	38,336,000	16,373,801
Scudder Contrarian Value Portfolio	3,627,591	—	19,935,000	5,657,158
Scudder Global Blue Chip Portfolio	244,074	—	2,711,000	(1,834,012)
Scudder Government Securities Portfolio	11,004,884	—	896,000	708,472
Scudder Growth Portfolio	—	—	94,395,000	42,531,457
Scudder High Yield Portfolio	29,551,964	—	59,172,000	(84,459,754)
Scudder International Research Portfolio	439,029	—	23,423,000	(7,807,964)
Scudder Investment Grade Bond Portfolio	4,940,352	—	1,832,000	(751,003)
Scudder Money Market Portfolio	5,516	—	—	—
Scudder New Europe Portfolio	—	—	3,950,000	(266,608)
Scudder Small Cap Growth Portfolio	—	—	87,908,000	5,272,838
Scudder Small Cap Value Portfolio	935,792	—	2,222,000	20,171,892
Scudder Strategic Income Portfolio	755,627	—	433,000	16,748
Scudder Technology Growth Portfolio	207,899	—	102,755,000	(92,126,755)
Scudder Total Return Portfolio	21,322,704	—	57,276,000	63,401,977
SVS Dreman Financial Services Portfolio	955,065	—	2,341,000	6,326,059
SVS Dreman High Return Equity Portfolio	4,480,022	1,523,210	—	9,156,942
SVS Dynamic Growth Portfolio	—	—	317,000	1,255,951
SVS Focus Value+Growth Portfolio	601,041	—	9,619,000	(151,457)
SVS Focused Large Cap Growth Portfolio	—	—	8,361,000	(1,390,845)
SVS Growth and Income Portfolio	999,003	—	20,050,000	(680,278)

Portfolio	Undistributed Ordinary Income ($)	Undistributed net long-term capital gains ($)	Capital loss carryforwards ($)	Unrealized appreciation (depreciation) on investments ($)
SVS Growth Opportunities Portfolio	—	—	33,678,000	(18,618,693)
SVS Index 500 Portfolio	1,055,536	—	3,715,000	(20,975,822)
SVS Mid Cap Growth Portfolio	—	—	2,401,000	3,758,994
SVS Strategic Equity Portfolio	—	—	322,000	(35,778)
SVS Venture Value Portfolio	121,297	—	129,000	2,566,317

In addition, during the year ended December 31, 2001 the tax character of distributions paid to shareholders by the portfolios are summarized as follows:

Portfolio	Distributions from ordinary income* ($)	Distributions from long-term capital gains ($)	Distributions from return of capital ($)
Scudder Aggressive Growth Portfolio	652,558	—	—
Scudder Blue Chip Portfolio	975,786	—	—
Scudder Contrarian Value Portfolio	3,893,591	—	—
Scudder Global Blue Chip Portfolio	297,369	743,424	—
Scudder Government Securities Portfolio	8,562,567	—	—
Scudder Growth Portfolio	587,343	43,022,245	217,806
Scudder High Yield Portfolio	37,937,710	—	—
Scudder International Research Portfolio	13,846,611	10,560,974	—
Scudder Investment Grade Bond Portfolio	4,623,273	—	—
Scudder Money Market Portfolio	15,691,810	—	—
Scudder New Europe Portfolio	345,868	—	—
Scudder Small Cap Growth Portfolio	5,689,208	28,943,995	365,607
Scudder Strategic Income Portfolio	110,157	—	—
Scudder Technology Growth Portfolio	547,146	—	—
Scudder Total Return Portfolio	25,554,195	30,345,606	—
SVS Dreman Financial Services Portfolio	1,183,047	—	—
SVS Dreman High Return Equity Portfolio	2,559,657	—	—
SVS Focus Value+Growth Portfolio	914,441	9,601,639	—
SVS Growth and Income Portfolio	764,939	—	—
SVS Index 500 Portfolio	599,089	—	—

* *For tax purposes short-term capital gains distributions are considered ordinary income distributions.*

Other. Investment transactions are accounted for on the trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for financial reporting purposes (see Note H).

B. Investment Transactions

During the year ended December 31, 2001, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Proceeds from Sales ($)
Scudder Aggressive Growth Portfolio	41,244,225	18,415,243
Scudder Blue Chip Portfolio	305,253,928	252,487,290
Scudder Contrarian Value Portfolio	177,056,807	146,717,886
Scudder Global Blue Chip Portfolio	35,692,534	17,572,690
Scudder Government Securities Portfolio:		
excluding direct U.S. Government obligations, short-term investments and mortgage dollar roll transactions	602,056,475	462,952,520

Portfolio	Purchases ($)	Proceeds from Sales ($)
direct U.S. Government obligations	285,853,242	283,761,096
mortgage dollar roll transactions	57,024,721	57,227,844
Scudder Growth Portfolio	326,734,214	335,532,637
Scudder High Yield Portfolio	273,719,172	224,388,194
Scudder International Research Portfolio	200,276,012	220,964,312
Scudder Investment Grade Bond Portfolio	204,478,883	165,762,385
Scudder New Europe Portfolio	57,141,284	39,860,076
Scudder Small Cap Growth Portfolio	341,875,963	317,827,450
Scudder Small Cap Value Portfolio	148,508,490	66,766,173
Scudder Strategic Income Portfolio	10,109,918	2,890,519
Scudder Technology Growth Portfolio	330,455,359	145,382,204
Scudder Total Return Portfolio	949,201,742	945,652,784
SVS Dreman Financial Services Portfolio	70,977,534	18,265,409
SVS Dreman High Return Equity Portfolio	286,700,098	39,992,984
SVS Dynamic Growth Portfolio	22,808,105	2,457,274
SVS Focus Value+Growth Portfolio	253,917,011	234,884,947
SVS Focused Large Cap Growth Portfolio	71,712,390	34,775,298
SVS Growth and Income Portfolio	127,750,467	51,495,162
SVS Growth Opportunities Portfolio	110,911,065	46,033,953
SVS Index 500 Portfolio	143,108,801	17,724,752
SVS Mid Cap Growth Portfolio	70,788,294	25,316,325
SVS Strategic Equity Portfolio	42,809,191	402,672
SVS Venture Value Portfolio	103,995,567	4,472,694

For the year ended December 31, 2001, transactions for written options were as follows for the Scudder Small Cap Growth Portfolio:

	Contracts	Premium ($)
Beginning of period	—	—
Written	5,650	1,270,969
Closed	(3,377)	(643,809)
Exercised	(2,073)	(613,360)
Expired	(200)	(13,800)
End of period	**—**	**—**

For the year ended December 31, 2001, transactions for written options were as follows for the Scudder Technology Growth Portfolio:

	Contracts	Premium ($)
Beginning of period	—	—
Written	6,016	1,048,205
Closed	(1,468)	(236,458)
Exercised	(1,218)	(241,623)
Expired	(2,682)	(458,672)
End of period	**648**	**111,452**

C. Related Parties

Management Agreement. Under the Investment Management Agreement (the "Management Agreement") with Zurich Scudder Investments, Inc., ("ZSI" or the "Advisor"), the Advisor directs the investments of the portfolios in accordance with its investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the portfolios. In addition to portfolio management services, the Advisor provides certain administrative services in accordance with the Management Agreement. Accordingly, for the year ended December 31, 2001, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Annual Management Fee Rate
Scudder Blue Chip Portfolio	0.65%
Scudder Contrarian Value Portfolio	0.75%
Scudder Government Securities Portfolio	0.55%
Scudder Growth Portfolio	0.60%
Scudder High Yield Portfolio	0.60%
Scudder International Research Portfolio	0.75%
Scudder Investment Grade Bond Portfolio	0.60%
Scudder Money Market Portfolio	0.50%
Scudder Small Cap Growth Portfolio	0.65%
Scudder Small Cap Value Portfolio	0.75%
Scudder Strategic Income Portfolio	0.65%
Scudder Total Return Portfolio	0.55%
SVS Focus Value+Growth Portfolio	0.75%

The Scudder Aggressive Growth Portfolio, Scudder Technology Growth Portfolio, SVS Dreman Financial Services Portfolio and SVS Dreman High Return Equity Portfolio each pay a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	0.75%
$250 million–$1 billion	0.72%
$1 billion–$2.5 billion	0.70%
$2.5 billion–$5 billion	0.68%
$5 billion–$7.5 billion	0.65%
$7.5 billion–$10 billion	0.64%
$10 billion–$12.5 billion	0.63%
Over $12.5 billion	0.62%

Accordingly, for the year ended December 31, 2001, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Effective Rate (%)
Scudder Aggressive Growth Portfolio	0.75%
Scudder Technology Growth Portfolio	0.74%
SVS Dreman Financial Services Portfolio	0.75%
SVS Dreman High Return Equity Portfolio	0.75%

SVS Dynamic Growth Portfolio and SVS Mid Cap Growth Portfolio each pay a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	1.000%
$250 million–$500 million	0.975%
$500 million–$1 billion	0.950%

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$1 billion–$2.5 billion	0.925%
Over $2.5 billion	0.900%

Accordingly, for the year ended December 31, 2001, the fees pursuant to the Management Agreement were equivalent to the annualized effective rates shown below of the portfolios' average daily net assets:

Portfolio	Total Aggregated ($)	Not Imposed ($)	Effective Rate (%)
SVS Dynamic Growth Portfolio	65,026	6,514	0.90%
SVS Mid Cap Growth Portfolio	112,802	1,561	0.98%

SVS Focused Large Cap Growth Portfolio, SVS Growth and Income Portfolio, SVS Growth Opportunities Portfolio, SVS Strategic Equity Portfolio and SVS Venture Value Portfolio each pay a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	0.950%
$250 million–$500 million	0.925%
$500 million–$1 billion	0.900%
$1 billion–$2.5 billion	0.875%
Over $2.5 billion	0.850%

Accordingly, for the year ended December 31, 2001, the fees pursuant to the Management Agreement were equivalent to the annual/annualized effective rates shown below of the portfolios' average daily net assets:

Portfolio	Total Aggregated ($)	Not Imposed ($)	Effective Rate (%)
SVS Focused Large Cap Growth Portfolio	351,121	—	0.95%
SVS Growth and Income Portfolio	1,222,426	—	0.95%
SVS Growth Opportunities Portfolio	1,394,470	—	0.95%
SVS Strategic Equity Portfolio	112,052	6,787	0.89%
SVS Venture Value Portfolio	262,447	—	0.95%

The SVS Index 500 Portfolio pays a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$200 million	0.440%
$200 million–$750 million	0.400%
$750 million–$2 billion	0.380%
$2 billion–$5 billion	0.365%
Over $5 billion	0.335%

Accordingly, for the year ended December 31, 2001, the fee pursuant to the Management Agreement was equivalent to an annual effective rate of 0.44% of SVS Index 500 Portfolio's average daily net assets.

The Scudder Global Blue Chip Portfolio and Scudder New Europe Portfolio each pay a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	1.00%
$250 million–$750 million	0.95%
$750 million–$1.5 billion	0.90%
$1.5 billion–$3 billion	0.85%
Over $3 billion	0.80%

Accordingly, for the year ended December 31, 2001, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Total Aggregated ($)	Not Imposed ($)	Effective Rate (%)
Scudder Global Blue Chip Portfolio	360,873	—	1.00%
Scudder New Europe Portfolio	181,386	142,345	0.22%

In addition, the Advisor has temporarily agreed to absorb certain operating expenses of the Scudder New Europe Portfolio. Under these arrangements, ZSI waived and absorbed expenses of $48,450, for the year ended December 31, 2001.

Scudder Investments Ltd. (U.K.), serves as sub-advisor with respect to foreign securities investments in the Scudder International Research and Scudder Strategic Income Portfolios, and is paid by ZSI for its services.

Dreman Value Management, L.L.C. serves as sub-advisor with respect to the investment and reinvestment of assets in the SVS Dreman Financial Services and SVS Dreman High Return Equity Portfolios, and is paid by Scudder for its services.

INVESCO serves as sub-advisor with respect to the investment and reinvestment of assets in the SVS Dynamic Growth Portfolio, and is paid by ZSI for its services.

Eagle Asset Management, Inc. serves as sub-advisor with respect to the investment and reinvestment of assets in the SVS Focused Large Cap Growth Portfolio, and is paid by ZSI for its services.

Janus Capital Corporation serves as sub-advisor with respect to investment and reinvestment of assets in the SVS Growth and Income and SVS Growth Opportunities Portfolios, and is paid by ZSI for its services.

Deutsche Asset Management, Inc. serves as sub-advisor with respect to investment and reinvestment of assets in the SVS Index 500 Portfolio, and is paid by ZSI for its services.

Turner Investment Partners, Inc. serves as sub-advisor with respect to the investment and reinvestment of assets in the SVS Mid Cap Growth Portfolio, and is paid by ZSI for its services.

Oak Associates, Ltd. serves as sub-advisor with respect to investment and reinvestment of assets in the SVS Strategic Equity Portfolio, and is paid by ZSI for its services.

Davis Selected Advisors, L.P., serves as sub-advisor with respect to foreign securities investments in the SVS Venture Value Portfolio, and is paid by ZSI for its services.

Effective June 18, 2001, Jennison Associates serves as sub-advisor for the growth portion of the portfolio with respect to the investment and reinvestment of assets in the SVS Focus Value+Growth Portfolio, and is paid by ZSI for its services.

On December 4, 2001, Deutsche Bank and Zurich Financial Services announced that they have signed a definitive agreement under which Deutsche Bank will acquire 100% of ZSI, with the exception of Threadneedle Investments in the U.K. Because the transaction would constitute an assignment of the funds' investment management agreements with ZSI under the 1940 Act and, therefore, a termination of those agreements, ZSI intends to seek approval of new agreements from the funds' shareholders. The transaction is expected to be completed, subject to regulatory approval and satisfaction of other conditions, in the first half of 2002.

Service Provider Fees. Scudder Fund Accounting Corporation ("SFAC"), a subsidiary of the Advisor, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of each portfolio. For the year ended December 31, 2001, SFAC received the following fee for its services for the following portfolios:

Portfolio	Total Aggregated ($)	Not Imposed ($)	Unpaid at December 31, 2001 ($)
Scudder Aggressive Growth Portfolio	28,733	—	5,613
Scudder Global Blue Chip Portfolio	49,771	—	49,771
Scudder New Europe Portfolio	54,790	54,790	—
Scudder Technology Growth Portfolio	67,464	—	16,308
SVS Dreman Financial Services Portfolio	43,868	—	3,300
SVS Dreman High Return Equity Portfolio	81,776	—	9,102
SVS Dynamic Growth Portfolio	36,878	36,878	—
SVS Focused Large Cap Growth Portfolio	37,500	—	37,500
SVS Growth and Income Portfolio	57,543	—	57,543
SVS Growth Opportunities Portfolio	156,916	—	156,916
SVS Index 500 Portfolio	168,631	141,896	—
SVS Mid Cap Growth Portfolio	57,921	57,630	—
SVS Strategic Equity Portfolio	28,595	28,595	—
SVS Venture Value Portfolio	23,755	—	3,145

Trustees' Fees and Expenses. The portfolios pay each Trustee not affiliated with the Advisor an annual retainer plus specified amounts for attended board and committee meetings.

Zurich Scudder Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the portfolios may invest in the Zurich Scudder Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by Zurich Scudder Investments, Inc. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay ZSI a management fee for the affiliated funds' investments in the QP Trust. Distributions from the QP Trust to the portfolios for the year ended December 31, 2001 are reflected as interest income on the Statement of Operations as follows:

Portfolio	Amount ($)
Scudder Aggressive Growth Portfolio	229,408
Scudder Blue Chip Portfolio	236,271
Scudder Contrarian Value Portfolio	545,253
Scudder Government Securities Portfolio	833,655
Scudder Growth Portfolio	394,254
Scudder High Yield Portfolio	218,820
Scudder Investment Grade Bond Portfolio	299,995
Scudder Small Cap Growth Portfolio	333,380
Scudder Small Cap Value Portfolio	131,192
Scudder Strategic Income Portfolio	59,643
Scudder Technology Growth Portfolio	1,216,721
Scudder Total Return Portfolio	847,468
SVS Dreman Financial Services Portfolio	102,806
SVS Dreman High Return Equity Portfolio	643,299
SVS Dynamic Growth Portfolio	30,808
SVS Focus Value+Growth Portfolio	166,816
SVS Focused Large Cap Growth Portfolio	51,262
SVS Growth and Income Portfolio	548,187
SVS Growth Opportunities Portfolio	186,960
SVS Index 500 Portfolio	119,869
SVS Mid Cap Growth Portfolio	39,347
SVS Strategic Equity Portfolio	33,221
SVS Venture Value Portfolio	80,135

D. Expense Off-Set Arrangements

The portfolios have entered into arrangements with their custodian whereby credits realized as a result of uninvested cash balances were used to reduce a portion of the portfolio's expenses. During the year ended December 31, 2001, the portfolios' custodian fees were reduced under these arrangements as follows:

Portfolio	Amount ($)
Scudder Aggressive Growth Portfolio	658
Scudder Blue Chip Portfolio	399
Scudder Contrarian Value Portfolio	54
Scudder Government Securities Portfolio	983
Scudder Growth Portfolio	320
Scudder High Yield Portfolio	1,023
Scudder Investment Grade Bond Portfolio	1,331
Scudder Money Market Portfolio	1,848
Scudder Small Cap Growth Portfolio	9,313
Scudder Small Cap Value Portfolio	1,267
Scudder Strategic Income Portfolio	833
Scudder Technology Growth Portfolio	2,043
Scudder Total Return Portfolio	763
SVS Dreman Financial Services Portfolio	1,068
SVS Dreman High Return Equity Portfolio	211
SVS Dynamic Growth Portfolio	19
SVS Focus Value+Growth Portfolio	192
SVS Focused Large Cap Growth Portfolio	6,134
SVS Growth and Income Portfolio	6,527
SVS Growth Opportunities Portfolio	7,156
SVS Index 500 Portfolio	141
SVS Mid Cap Growth Portfolio	160
SVS Strategic Equity Portfolio	191
SVS Venture Value Portfolio	141

E. Commitments

As of December 31, 2001, the following portfolios had entered into the following forward foreign currency exchange contracts resulting in the following:

Scudder Global Blue Chip Portfolio

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.$)
JPY	260,043,000	USD	2,100,000	2/4/2002	121,186

Scudder Strategic Income Portfolio

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.$)
USD	917,184	JPY	120,013,545	1/7/2002	(5,247)
GBP	157,236	USD	223,275	1/31/2002	(5,276)
EUR	404,209	USD	359,342	2/13/2002	(371)
					(10,894)

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.$)
CAD	941,514	USD	600,627	1/7/2002	9,243
JPY	240,027,090	USD	1,889,100	1/7/2002	65,224
					74,467

Abbreviations:

USD	United States Dollars	GBP	British Pound
CAD	Canadian Dollar	JPY	Japanese Yen
EUR	Euro		

F. Line of Credit

The Trust and several other affiliated funds (the "Participants") share in a $750 million revolving credit facility with J.P. Morgan Chase & Co. for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, pro rata based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. Under the agreement the following portfolios may borrow up to a maximum percentage of their net assets:

Portfolio	Facility Borrowing Limit
Scudder Aggressive Growth Portfolio	5%
Scudder Blue Chip Portfolio	33%
Scudder Contrarian Value Portfolio	33%
Scudder Global Blue Chip Portfolio	5%
Scudder Government Securities Portfolio	33%
Scudder Growth Portfolio	33%
Scudder High Yield Portfolio	33%
Scudder International Research Portfolio	33%
Scudder Investment Grade Bond Portfolio	33%
Scudder Money Market Portfolio	33%
Scudder New Europe Portfolio	5%
Scudder Small Cap Growth Portfolio	33%
Scudder Small Cap Value Portfolio	33%
Scudder Strategic Income Portfolio	33%
Scudder Technology Growth Portfolio	5%
Scudder Total Return Portfolio	33%
SVS Dreman Financial Services Portfolio	33%
SVS Dreman High Return Equity Portfolio	33%
SVS Dynamic Growth Portfolio	5%
SVS Focus Value+Growth Portfolio	33%
SVS Focused Large Cap Growth Portfolio	5%
SVS Growth and Income Portfolio	5%
SVS Growth Opportunities Portfolio	5%
SVS Index 500 Portfolio	5%
SVS Mid Cap Growth Portfolio	5%
SVS Strategic Equity Portfolio	5%
SVS Venture Value Portfolio	5%

G. Acquisition of Assets

On April 27, 2001, the Scudder Total Return Portfolio ("Acquiring Portfolio") acquired all the net assets of the Kemper Horizon 20+ Portfolio, Kemper Horizon 10+ Portfolio and the Kemper Horizon 5 Portfolio ("Acquired Portfolios") pursuant to a plan of reorganization approved by the shareholders. The acquisition was accomplished by a tax-free exchange of 46,931,368 shares of the Acquiring Portfolio for the 21,787,601, 43,847,344 and 29,839,378 shares, respectively of the Kemper Horizon 20+ Portfolio, Kemper Horizon 10+ Portfolio and the Kemper Horizon 5 Portfolio (unadjusted for June 18, 2001 stock split) outstanding on April 27, 2001. Kemper Horizon 20+ Portfolio, Kemper Horizon 10+ Portfolio and the Kemper Horizon 5 Portfolio's net assets at that date ($25,401,631, $50,410,127 and $34,187,073, respectively), including $1,957,048, $2,205,572 and $934,365, respectively, of net unrealized appreciation, were combined with those of Scudder Total Return Portfolio. The aggregate net assets of Scudder Total Return Portfolio immediately before the acquisition were $803,790,624. The combined net assets of the Scudder Total Return Portfolio immediately following the acquisition were $913,789,455.

Additionally, on April 30, 2001, the Scudder Growth Portfolio ("Acquiring Portfolio") acquired all the net assets of the Scudder Variable Life Large Company Growth Portfolio ("Acquired Portfolio") pursuant to a plan of reorganization approved by the shareholders. The acquisition was accomplished by a tax-free exchange of 3,180,533 shares of the Acquiring Portfolio (unadjusted for June 18, 2001 stock split) for the 1,317,680 shares of the Acquired Portfolio outstanding on April 30, 2001. The Acquired Portfolio's net assets at that date ($7,576,034), including $1,226,003 of net unrealized depreciation, were combined with those of Scudder Growth Portfolio. The aggregate net assets of Scudder Growth Portfolio immediately before the acquisition were $491,110,861. The combined net assets of the Scudder Growth Portfolio immediately following the acquisition were $498,686,895.

H. Change In Accounting Principle

As required, effective January 1, 2001, each portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount or premium on debt securities. Prior to January 1, 2001, each portfolio did not amortize premiums on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The following portfolios were impacted by the adoption of the audit guide as follows:

Scudder Government Securities Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a $386,300 reduction in cost of securities and a corresponding $386,300 increase in net unrealized appreciation, based on securities held by the Scudder Government Securities Portfolio on January 1, 2001.

The effect of this change for the year ended December 31, 2001 was to decrease net investment income by $1,427,201: decrease net unrealized appreciation by $20,855, increase net realized gains by $1,448,056. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

Scudder High Yield Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a $1,105,172 reduction in cost of securities and a corresponding $1,105,172 increase in net unrealized appreciation, based on securities held by the Scudder High Yield Portfolio on January 1, 2001.

The effect of this change for the year ended December 31, 2001 was to decrease net investment income by $2,566,056: increase net unrealized appreciation by $676,714, and increase net realized gains by $1,889,342. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

Scudder Investment Grade Bond Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a $65,124 reduction in cost of securities and a corresponding $65,124 increase in net unrealized appreciation, based on securities held by the Scudder Investment Grade Bond Portfolio on January 1, 2001.

The effect of this change for the year ended December 31, 2001 was to decrease net investment income by $79,342: decrease net unrealized appreciation by $19,978 and increase net realized gains by $99,320. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

Scudder Strategic Income Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a $2,068 reduction in cost of securities and a corresponding $2,068 increase in net unrealized appreciation, based on securities held by the Scudder Strategic Income Portfolio on January 1, 2001.

The effect of this change for the year ended December 31, 2001 was to decrease net investment income by $58,240: decrease net unrealized depreciation by $63,773 and decrease net realized gains by $5,533. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

Scudder Total Return Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a $276,775 reduction in cost of securities and a corresponding $276,775 increase in net unrealized appreciation, based on securities held by the Scudder Total Return Portfolio on January 1, 2001.

The effect of this change for the year ended December 31, 2001 was to decrease net investment income by $1,071,925: increase net unrealized appreciation by $564,805 and increase net realized gains by $507,120. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

SVS Growth and Income Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a $6,303 reduction in cost of securities and a corresponding $6,303 increase in net unrealized appreciation, based on securities held by the SVS Growth and Income Portfolio on January 1, 2001.

The effect of this change for the year ended December 31, 2001 was to decrease net investment income by $17,735: increase net unrealized appreciation by $6,319 and increase net realized gains by $11,416. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

I. Stock Split

On June 18, 2001, each of the portfolios conducted a 1 for 10 reverse stock split for the shareholders of the Trust, excluding Scudder Money Market Portfolio, SVS Dynamic Growth Portfolio, SVS Mid Cap Growth Portfolio, SVS Strategic Equity Portfolio and SVS Venture Value Portfolio. All capital share activity on the Statements of Changes in Net Assets and per share data on the Financial Highlights tables have been restated to reflect the reverse stock split.

J. Subsequent Event

Effective January 18, 2002, Dreman Value Management, L.L.C. serves as sub-advisor with respect to the investment and reinvestment of assets of the Scudder Small Cap Value Portfolio and is paid by ZSI for its services. In addition, the Portfolio changed its name to Scudder-Dreman Small Cap Value Portfolio.

Report of Ernst & Young LLP, Independent Auditors

The Trustees and the Shareholders of Scudder Variable Series II:

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of the Scudder Aggressive Growth, Scudder Blue Chip, Scudder Contrarian Value, Scudder Global Blue Chip, Scudder Government Securities, Scudder Growth, Scudder High Yield, Scudder International Research, Scudder Investment Grade Bond, Scudder Money Market, Scudder New Europe, Scudder Small Cap Growth, Scudder Small Cap Value, Scudder Strategic Income, Scudder Technology Growth, Scudder Total Return, SVS Dreman Financial Services, SVS Dreman High Return Equity, SVS Dynamic Growth, SVS Focus Value+Growth, SVS Focused Large Cap Growth, SVS Growth and Income, SVS Growth Opportunities, SVS Index 500, SVS Mid Cap Growth, SVS Strategic Equity, and SVS Venture Value Portfolios, comprising the Scudder Variable Series II (the "Trust"), as of December 31, 2001, and the related statements of operations, changes in net assets, and financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2001, by correspondence with the custodian and brokers or other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the portfolios of the Scudder Variable Series II at December 31, 2001, the results of their operations, the changes in their net assets and the financial highlights for each of the periods indicated therein, in conformity with accounting principles generally accepted in the United States.

Boston, Massachusetts
February 15, 2002

Ernst & Young LLP

The following portfolios paid distributions from net long-term capital gains on April 2, 2001 for shares of record on March 28, 2001:

Portfolio	Distribution Per Share ($)	% Representing 20% Rate Gains
Scudder Global Blue Chip Portfolio	0.03	100
Scudder Growth Portfolio	0.24	100
Scudder International Research Portfolio	0.09	100
Scudder Small Cap Growth Portfolio	0.21	100
Scudder Total Return Portfolio	0.10	100
SVS Focus Value+Growth Portfolio	0.11	100

Pursuant to Section 852 of the Internal Revenue Code, the following portfolio designates capital gain dividends for the year ended December 31, 2001 as follows:

Portfolio	Capital Gain Dividends ($)	% Representing 20% Rate Gains
SVS Dreman High Return Equity Portfolio	1,676,000	100

For corporate shareholders, the following percentage of income dividends paid during the following portfolios' fiscal year ended December 31, 2001 qualified for the dividends received deduction:

Portfolio	%
Scudder Aggressive Growth Portfolio	11
Scudder Blue Chip Portfolio	100
Scudder Contrarian Value Portfolio	68
Scudder Global Blue Chip Portfolio	100
Scudder Technology Growth Portfolio	83
Scudder Total Return Portfolio	17
SVS Dreman Financial Services Portfolio	100
SVS Dreman High Return Equity Portfolio	100
SVS Focus Value+Growth Portfolio	100
SVS Growth and Income Portfolio	100
SVS Index 500 Portfolio	100

Scudder International Research Portfolio paid foreign taxes of $344,900 and earned $798,807 of foreign source income during the year ended December 31, 2001. Pursuant to section 853 of the Internal Revenue Code, Scudder International Research Portfolio designates $0.03 per share as foreign taxes paid and $0.06 per share as income earned from foreign sources for the year ended December 31, 2001.

Please consult a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please call 1-800-621-1048.

Shareholder Meeting Results

A Special Meeting of Shareholders (the "Meeting") of Scudder Variable Series II (the "Trust") was held on March 14, 2001, at the office of Zurich Scudder Investments, Inc., Two International Place, Boston, MA 02110. At the Meeting, the following matter was voted upon by the shareholders of all series of the Trust, voting together:

1. To elect Trustees of the Trust to hold office until their respective successors have been duly elected and qualified or until their earlier resignation or removal.

	Number of Votes:	
Trustee	For	Withheld
John W. Ballantine	2,999,130,950	85,967,301
Lewis A. Burnham	2,998,563,478	86,534,773
Mark S. Casady	2,999,046,283	86,051,968
Linda C. Coughlin	2,998,977,508	86,120,743
Donald L. Dunaway	2,998,973,012	86,125,239
James R. Edgar	2,998,453,786	86,644,465
William F. Glavin, Jr.	2,998,497,603	86,600,648
Robert B. Hoffman	2,998,536,542	86,561,709
Shirley D. Peterson	2,998,678,526	86,419,725
Fred B. Renwick	2,998,047,379	87,050,872
William P. Sommers	2,998,648,713	86,449,538
John G. Weithers	2,998,173,245	86,925,006

The following matter was voted upon by the shareholders of each series, voting separately:

2. To ratify the selection of Ernst & Young LLP as the independent auditors for each series for the current fiscal year.

	Number of Votes:		
Portfolio	Affirmative	Against	Abstain
Scudder Aggressive Growth Portfolio	48,942,930	95,040	1,171,470
Scudder Blue Chip Portfolio	153,323,538	934,997	5,963,612
Scudder Contrarian Value Portfolio	156,278,801	1,028,768	5,877,118
Scudder Global Blue Chip Portfolio	27,214,310	3,568	942,114
Scudder Government Securities Portfolio	136,046,008	690,377	3,198,330
Scudder Growth Portfolio	183,769,713	2,378,702	6,699,523
Scudder High Yield Portfolio	325,655,666	3,640,271	12,665,119
Scudder International Research Portfolio	123,462,843	1,507,048	5,201,009
Scudder Investment Grade Bond Portfolio	67,610,573	290,011	1,934,473
Scudder Money Market Portfolio	238,653,666	2,299,744	13,163,091
Scudder New Europe Portfolio	13,864,862	18,736	328,133
Scudder Small Cap Growth Portfolio	131,872,449	1,376,304	5,310,125
Scudder Small Cap Value Portfolio	70,644,134	768,488	3,864,090
Scudder Strategic Income Portfolio	9,900,771	269,935	380,226
Scudder Technology Growth Portfolio	213,901,849	1,151,983	7,177,182
Scudder Total Return Portfolio	310,223,942	2,932,275	12,711,973
SVS Dreman Financial Services Portfolio	59,260,666	267,131	1,990,271
SVS Dreman High Return Equity Portfolio	153,650,444	762,467	6,606,095
SVS Focused Large Cap Growth Portfolio	22,872,510	157,738	858,660

	Number of Votes:		
Portfolio	Affirmative	Against	Abstain
SVS Focus Value+Growth Portfolio	86,583,419	1,265,513	4,378,484
SVS Growth And Income Portfolio	95,807,195	889,203	2,740,536
SVS Growth Opportunities Portfolio	131,693,806	1,137,452	3,376,616
SVS Index 500 Portfolio	100,251,322	480,191	2,336,349

The following matter was voted upon by the shareholders of Scudder Money Market Portfolio only:

3. To approve an amendment to the fund's concentration policy.

Affirmative	Against	Abstain
232,462,607	5,886,614	15,767,280

The following matters were voted upon by the shareholders of SVS Focus Value+Growth Portfolio only on March 29, 2001:

4. To approve a change to the fund's sub-classification under the Investment Company Act of 1940, as amended, from a diversified company to a non-diversified company.

Affirmative	Against	Abstain
82,699,195	2,746,810	6,782,411

5. To approve a new sub-advisory agreement for the fund between Zurich Scudder Investments, Inc. and Jennison Associates LLC.

Affirmative	Against	Abstain
84,534,234	1,908,005	5,786,177

Trustees and Officers

The following table presents information about each Trustee of the fund as of December 31, 2001. Each Trustee's age is in parentheses after his or her name. Unless otherwise noted, (i) each Trustee has engaged in the principal occupation(s) noted in the table for at least the most recent five years, although not necessarily in the same capacity, and (ii) the address of each Trustee is c/o Zurich Scudder Investments, Inc., 222 South Riverside Plaza, Chicago, Illinois 60606. The term of office for each Trustee is until the next annual meeting of shareholders, if any, called for the purpose of electing Trustees and until the election and qualification of a successor, or until such Trustee sooner dies, resigns or is removed as provided in the governing documents of the fund. Because the fund does not hold an annual meeting of shareholders, each Trustee will hold office for an indeterminate period.

Non-Interested Trustees				
Name, Age and Position(s) Held with the Fund	**Length of Time Served**	**Principal Occupation(s) During Past 5 Years**	**Number of Portfolios in Fund Complex Overseen by Trustee**	**Other Directorships Held**
John W. Ballantine (55)				
Trustee	2001 to present	Retired 1998; formerly, Executive Vice President and Chief Risk Management Officer, First Chicago NBD Corporation/The First National Bank of Chicago (1996-1998); Executive Vice President and Head of International Banking (1995-1996)	85	First Oak Brook Bancshares, Inc.; Oak Brook Bank; Tokheim Corporation (designer, manufacturer and servicer of electronic and mechanical petroleum marketing systems)
Lewis A. Burnham (68)				
Trustee	2001 to present	Retired 1998; formerly, Director of Management Consulting, McNulty & Company; formerly, Executive Vice President, Anchor Glass Container Corporation	85	None
Donald L. Dunaway (64)				
Trustee	2001 to present	Retired 1994; formerly, Executive Vice President, A.O. Smith Corporation (diversified manufacturer)	85	None
James R. Edgar (55)				
Trustee	1999 to present	Distinguished Fellow, University of Illinois Institute of Government and Public Affairs; formerly, Governor, State of Illinois	85	Kemper Insurance Companies; John B. Sanfilippo & Son, Inc.; Horizon Group Properties, Inc.
Robert B. Hoffman (65)				
Trustee	2001 to present	Retired 2000; formerly, Chairman, Harnischfeger Industries, Inc. (machinery for mining and paper industries); prior thereto, Vice Chairman and Chief Financial Officer, Monsanto Company (agricultural, pharmaceutical and nutritional/food products); Vice President, Head of International Operations, FMC Corporation (manufacturer of machinery and chemicals)	85	None
Shirley D. Peterson (60)				
Trustee	2001 to present	Retired 2000; formerly, President, Hood College; prior thereto, Partner, Steptoe & Johnson (law firm); Commissioner, Internal Revenue Service; Assistant Attorney General (Tax), U.S. Department of Justice	85	Bethlehem Steel Corp.
Fred B. Renwick (71)				
Trustee	1995 to present	Retired 2001. Professor Emeritus of Finance, New York University, Stern School of Business	85	The Wartburg Foundation; Chairman, Finance Committee of Morehouse College Board of Trustees; The Investment Fund for Foundations; American Bible Society Investment Committee; formerly, member of the Investment Committee of Atlanta University Board of Trustees; formerly, Director of Board of Pensions, Evangelical Lutheran Church in America

Name, Age and Position(s) Held with the Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held
William P. Sommers (68)				
Trustee	2001 to present	Retired; formerly, President and Chief Executive Officer, SRI International (research and development); prior thereto, Executive Vice President, Iameter (medical information and educational service provider); Senior Vice President and Director, Booz, Allen & Hamilton Inc. (management consulting firm)	85	PSI Inc.; Evergreen Solar, Inc.; Litton Industries; SRI/Atomic Tangerine
John G. Weithers (68)				
Trustee	1993 to present	Retired 1992; formerly, Chairman of the Board and Chief Executive Officer, Chicago Stock Exchange	85	Federal Life Insurance Company; Chairman of the Members of the Corporation and Trustee, DePaul University; formerly, International Federation of Stock Exchanges; Records Management Systems

Interested Trustees*

Name, Age and Position(s) Held with the Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held
Mark S. Casady (41)				
Trustee and President	2001 to present	Managing Director, Zurich Scudder Investments, Inc.	85	None
Linda C. Coughlin (49)				
Trustee and Chairperson	2001 to present	Managing Director, Zurich Scudder Investments, Inc.	134	None
William F. Glavin, Jr. (43)				
Trustee	2001 to present	Managing Director, Zurich Scudder Investments, Inc.; (April 1997 to present), prior thereto, Executive Vice President of Market and Product Development of an unaffiliated investment management firm.	85	None

* *Each trustee listed under the heading "Interested Trustees" is an "interested person" of the investment manager or of the fund within the meaning of the Investment Company Act of 1940, as amended, due to the fact that each is an officer of the fund's investment manager.*

The following table presents information about each Officer of the fund. Each Officer's age as of December 31, 2001 is in parentheses after his or her name. Unless otherwise noted, the address of each Officer is c/o Zurich Scudder Investments, Inc., Two International Place, Boston, Massachusetts 02110-4103. The President, Treasurer and Secretary each holds office until his or her successor is duly elected and qualified; all other officers hold offices in accordance with the By-Laws of the fund.

Officers

Name and Age	Position(s) Held with the Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years
Mark S. Casady (41)	President	1998 to present	Managing Director, Zurich Scudder Investments, Inc.
Robert S. Cessine (51)	Vice President	1996 to present	Managing Director, Zurich Scudder Investments, Inc.
Irene T. Cheng (47)	Vice President	2000 to present	Managing Director, Zurich Scudder Investments, Inc.
Philip J. Collora (56)	Vice President and Assistant Secretary	1992 to present	Senior Vice President, Zurich Scudder Investments, Inc.
Linda C. Coughlin (49)	Vice President	2001 to present	Managing Director, Zurich Scudder Investments, Inc.
Jan C. Faller (35)	Vice President	2000 to present	Senior Vice President, Zurich Scudder Investments, Inc. (1999 to present); prior thereto, Bond and Currency Investment Manager, PanAgora Asset Management

Name and Age	Position(s) Held with the Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years
Carol L. Franklin (49)	Vice President	2001 to present	Managing Director, Zurich Scudder Investments, Inc.
William F. Gadsden (46)	Vice President	1996 to present	Managing Director, Zurich Scudder Investments, Inc.
Sewall Hodges (46)	Vice President	2000 to present	Managing Director, Zurich Scudder Investments, Inc.
William E. Holzer (52)	Vice President	2001 to present	Managing Director, Zurich Scudder Investments, Inc.
Gary A. Langbaum (53)	Vice President	1995 to present	Managing Director, Zurich Scudder Investments, Inc.
Tracy McCormick (47)	Vice President	1999 to present	Managing Director, Zurich Scudder Investments, Inc.
Kathryn L. Quirk (49)	Vice President	1998 to present	Managing Director, Zurich Scudder Investments, Inc.
Frank J. Rachwalski, Jr. (56)	Vice President	1995 to present	Managing Director, Zurich Scudder Investments, Inc.
Harry E. Resis, Jr. (56)	Vice President	1995 to present	Managing Director, Zurich Scudder Investments, Inc.
Thomas F. Sassi (59)	Vice President	1998 to present	Managing Director, Zurich Scudder Investments, Inc.
Jesse Stuart	Vice President	2002 to present	Senior Vice President, Zurich Scudder Investments, Inc.
Robert D. Tymoczko (31)	Vice President	2000 to present	Senior Vice President, Zurich Scudder Investments, Inc. (1997 to present); prior thereto, economic consultant
Linda J. Wondrack (37)	Vice President	1998 to present	Managing Director, Zurich Scudder Investments, Inc.
Gary L. French (50)	Treasurer	2002 to present	Managing Director, Zurich Scudder Investments, Inc. (2001 to present); prior thereto, President, UAM Fund Services, Inc.
John R. Hebble (43)	Assistant Treasurer	1998 to present	Senior Vice President, Zurich Scudder Investments, Inc.
Thomas Lally (34)	Assistant Treasurer	2001 to present	Senior Vice President, Zurich Scudder Investments, Inc.
Brenda Lyons (38)	Assistant Treasurer	1998 to present	Senior Vice President, Zurich Scudder Investments, Inc.
John Millette (39)	Secretary	2001 to present	Vice President, Zurich Scudder Investments, Inc.
Caroline Pearson (39)	Assistant Secretary	1998 to present	Managing Director, Zurich Scudder Investments, Inc. (1997 to present); prior thereto, Associate, Dechert Price & Rhoads (law firm)

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This annual report must be preceded or accompanied by the current prospectus.

These portfolios are only available as variable subaccount options in a variety of variable annuities and life products and are not available for direct investment. Variable annuities and variable universal life are long-term, tax-deferred vehicles that have insurance features, such as annuitization options and death benefits.

Investments in funds involve risk. Some funds have more risk than others. These include funds that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in emerging market countries).

Investment Manager:
Zurich Scudder Investments, Inc.
222 South Riverside Plaza   Chicago, IL   60606
(Tel) 800-778-1482

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SCUDDER INVESTMENTS

Janus|Aspen Series

2001 Annual Report

Janus Aspen Growth Portfolio

JANUS

Thomas H. Bailey
Chief Executive Officer

While our results reflect a difficult year overall, recently there have been signs of improvement. Both the market and the economy have shown intermittent signs of strength in recent months, and we are encouraged that many of our funds finished the final three months of the year with solid performance.

Only 18 months ago we were still enjoying the longest peacetime expansion in U.S. history and a phenomenal bull market that didn't seem to have an upper bound. Today, with the S&P 500 Index still 25% off its March 2000 peak and the Nasdaq Composite down more than twice that amount, we can only describe what has been, without question, a downturn of truly immense proportions.

The Federal Reserve recognized the sudden slowdown in economic growth for what it was – a threat to the U.S. and world economies that was virtually unprecedented in its scope and speed. For that reason the central bank embarked on the most aggressive rate cutting campaign in its history, and although the economy has shown only tentative signs of recovery, we are encouraged by the notion that the stock market has rarely failed to react – and react strongly – to the Fed's powerful medicine.

Furthermore, we believe those companies that survive the storm will emerge stronger for the experience – leaner, hungrier and in a much better competitive position than before the downturn. Meanwhile, the market's extended decline has left many outstanding franchises trading at levels that, frankly, haven't been seen in years.

For our part, we are doing everything we can to ensure that the last 18 months will remain an anomaly in the greater context of our solid long-term performance record. Within the portfolios, we're focusing our efforts in areas such as media, healthcare and financial services, looking for individual companies we feel are best prepared to endure in the face of continued uncertainty. We've also looked deeper into areas such as technology, analyzing spending trends to determine exactly which firms may benefit most from today's economic and political realities.

Operationally, we've made refinements as well. We continued to increase the depth of our analytical team in 2001 and have continued recruiting aggressively even as other firms in the industry have scaled back. Furthermore, in an effort to push forward the research intensive culture that defines everything we do at Janus, Jim Goff will be stepping up as Director of Research. As one of Janus' original analysts, his ability to finely dissect a company's balance sheet, inquisitive nature and natural mentoring capabilities will help our 43-person analytical team grow their own capabilities and impact on the portfolios.

At the same time, Helen Young Hayes will assume the role as Managing Director of Investments. She is a proven leader who has exhibited proven results and a long-term legacy of success. Helen and Jim will work very closely together to ensure that Janus' research effort continues to function efficiently and with a high degree of excellence. We expect that this effort will be at the root of Janus' continued success over the years.

We made these changes because our continued commitment to the same kind of fundamental research that has always defined our investment process demands it. And, as always, the driver for each individual investment continues to be our rigorous stock selection process – one that has been developed and honed over a period of more than 30 years.

We're convinced that this unwavering commitment will restore performance to the levels you expect from Janus.

Thank you for your continued confidence and investment.

Tom

Tom Bailey
CEO

Past performance does not guarantee future results.
There is no assurance that the investment process will consistently lead to successful investing.

Janus Aspen Growth Portfolio

Blaine Rollins
portfolio manager

For the 12-month period ended December 31, 2001, Janus Aspen Growth Portfolio lost 24.73% for its Institutional Shares and declined 24.90% for its Service Shares while its benchmark, the Standard & Poor's 500 Index, dropped 11.88%.(1)

Unquestionably, 2001 was a disappointment, and I'm not happy to report the Portfolio's failure to meet your expectations and mine. It has been a challenging 12 months as the economy slowed, came to a near halt following the terrorist attacks of September 11, and then started to show signs of life in the fourth quarter. While some of our positions suffered as a result of poor execution in a difficult economy, others were slow to recover after a wave of reactionary selling. Nevertheless, our investment strategy remains unchanged, and we are committed to companies that our research indicates have the best business models and superior management teams.

In the year's closing months, the stock market rallied in anticipation of a 2002 recovery, but the economy was still under pressure. Higher unemployment levels weighed on consumers, and a reluctance to commit to capital expenditures tempered corporate outlooks. Meanwhile, the ongoing conflict in Afghanistan cast an air of uncertainty over the nation. With the Federal Reserve's prime lending rate at a 40-year low of 1.75%, however, we believe conditions are ideal for the economy to improve at some point.

As for the Portfolio, perhaps the best evidence of our commitment to our holdings is the Portfolio's low turnover. Many of the companies we own are dominant players in their respective industries and have not only navigated through the tough economic times, but also improved their market position at the expense of weaker competitors. Eventually, these actions will pay dividends as the economy returns to a robust state. Many of our companies have certainly been tested, and I am very satisfied with the response of their management teams.

One such example is Bank of New York, a longtime holding that has struggled in 2001. In addition to its focus on trust management and back-office services for the securities industry, the company has emerged as the source foreign firms turn to when seeking to raise dollar-denominated capital. A worldwide falloff in trading activity hurt its bottom line through the second half of the year, but its recurring-fee and high-margin businesses continue to perform well.

Southwest Airlines also posted losses, primarily due to the aftershocks of the events of September 11. However, in the new, more challenging air travel market, we believe the operators with the best strategy and lowest cost will thrive. Not only does Southwest offer low airfares, which have become increasingly attractive to business travelers, but it is also in a position to expand into markets where airports are apprehensive about major carriers pulling out to cut costs. Although volumes may moderate over the next 12 months, I believe the company is poised for solid growth.

Elsewhere, we were extremely disappointed in energy trader Enron, which declared bankruptcy in the fourth quarter. It was a great company with a great franchise that clearly chose the wrong method of financing its growth. Fortunately, we took significant profits when the stock's price was peaking, so our exposure was limited as Enron headed toward bankruptcy.

Meanwhile, as the year came to a close, some of our holdings joined in the market rally and reversed losses, including electronic circuit manufacturer Maxim Integrated Products. The chip sector tends to lead the technology industry out of slumps, but our interest in Maxim extends beyond processors for personal computers. Maxim produces circuitry for a variety of markets, including communications, industrial and data processing, each of which requires specialized functions and therefore is not as susceptible to mass-market price pressures.

Looking ahead, some signs of optimism have emerged as investors are considering the next few quarters and have concluded that the worst is most likely behind us. However, it is impossible to know how a recovery will evolve. Lacking the ability to predict the market's direction, we will remain focused on finding leading companies run by top-notch managers who are focused on allocating capital efficiently and increasing long-term shareholder value. We strongly believe this strategy will once again deliver the results you expect.

Thank you for your continued investment in Janus Aspen Growth Portfolio.

Portfolio Asset Mix (% of Net Assets)	*December 31, 2001*	*December 31, 2000*
Equities	96.6%	93.6%
Foreign	9.7%	8.2%
Europe	2.6%	4.8%
Top 10 Equities	38.8%	37.9%
Number of Stocks	102	88
Cash and Cash Equivalents	3.4%	6.4%

(1) All returns include reinvested dividends and capital gains.

Past performance does not guarantee future results.

There is no assurance that the investment process will consistently lead to successful investing.

Average Annual Total Return

For the Periods Ended December 31, 2001

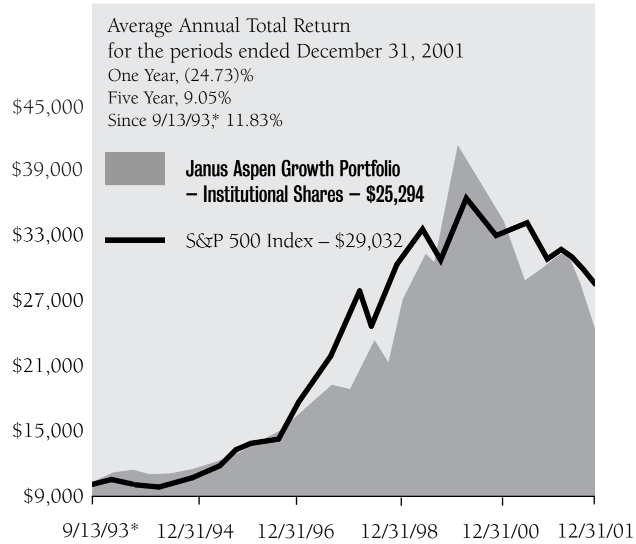
Institutional Shares (Inception Date 9/13/93)	
1 Year	(24.73)%
5 Year	9.05%
From Inception	11.83%
S&P 500 Index	
1 Year	(11.88)%
5 Year	10.70%
From Inception Date of Institutional Shares	13.70%
Service Shares (Inception Date 12/31/99)	
1 Year	(24.90)%
5 Year	8.75%
From Portfolio Inception	11.49%

Returns shown for Service Shares for periods prior to their inception are derived from the historical performance of Institutional Shares, adjusted to reflect the higher operating expenses of Service Shares.

In recent years, returns have sustained significant gains and losses due to market volatility in the technology sector.

Due to market volatility, current performance may be higher or lower than the figures shown. Call 1-800-504-4440 or visit janus.com for more current performance information.

Performance Overview



*The Portfolio's inception date.
Source – Lipper, Inc. 2001.
See "Explanations of Charts and Tables."

Past performance is no guarantee of future results and investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Total return includes reinvestment of dividends and capital gains.

Standard & Poor's is a corporation that rates stocks and corporate and municipal bonds according to risk profiles. The S&P 500 is an index of 500 major, large-cap US corporations. The Portfolio may differ significantly from the securities held in the index. The index is not available for direct investment; therefore its performance does not reflect the expenses associated with the active management of an actual portfolio.

These returns do not reflect the charges and expenses of any particular insurance product or qualified plan.

Schedule of Investments

Shares or Principal Amount		*Market Value*
Common Stock – 96.6%		
Advertising Sales – 0.4%		
279,865	Lamar Advertising Co.*	$ 11,849,484
Aerospace and Defense – 4.8%		
1,887,575	Boeing Co.	73,200,158
491,770	General Dynamics Corp.	39,164,563
383,645	Lockheed Martin Corp.	17,904,712
		130,269,433
Airlines – 1.1%		
501,135	Ryanair Holdings PLC (ADR)*,**	16,061,377
676,830	Southwest Airlines Co.	12,507,818
		28,569,195
Applications Software – 0.8%		
307,440	Microsoft Corp.*	20,374,049
Beverages – Non-Alcoholic – 1.4%		
791,935	Coca-Cola Co.	37,339,735
Broadcast Services and Programming – 1.8%		
987,963	Clear Channel Communications, Inc.*	50,297,196
Cable Television – 6.8%		
580,190	Charter Communications, Inc. – Class A*	9,532,522
4,288,997	Comcast Corp. – Special Class A*	154,403,892
527,995	Cox Communications, Inc. – Class A*	22,128,270
		186,064,684
Casino Hotels – 0.5%		
1,563,897	Park Place Entertainment Corp.*	14,340,935
Chemicals – Specialty – 0.7%		
87,745	Ecolab, Inc.	$ 3,531,736
357,655	Sigma-Aldrich Corp.	14,095,184
		17,626,920
Commercial Banks – 0.4%		
147,820	M&T Bank Corp.	10,768,687
Commercial Services – 0.1%		
87,011	Arbitron, Inc.*	2,971,426
Commercial Services – Financial – 0.9%		
719,342	Paychex, Inc.	25,069,069
Computer Services – 0.4%		
525,755	Ceridian Corp.*	9,857,906
Computers – Memory Devices – 0.2%		
137,805	VERITAS Software Corp.*	6,176,420
Containers – Paper and Plastic – 0.2%		
89,205	Bemis Company, Inc.	4,387,102
Cosmetics and Toiletries – 4.0%		
1,439,228	Colgate-Palmolive Co.	83,115,417
319,103	Procter & Gamble Co.	25,250,620
		108,366,037
Data Processing and Management – 1.6%		
225,370	Automatic Data Processing, Inc.	13,274,293
508,015	Fiserv, Inc.*	21,499,195
177,195	SEI Investments Co.	7,993,266
		42,766,754

See Notes to Schedules of Investments.

Janus Aspen Growth Portfolio

Schedule of Investments

Shares or Principal Amount		Market Value
Diversified Operations – 6.9%		
224,370	ARAMARK Corp. – Class B*	$ 6,035,553
658,256	Bombardier, Inc. – Class B	6,804,170
1,805,720	Cendant Corp.*	35,410,169
1,003,438	General Electric Co.	40,217,795
506,335	Honeywell International, Inc.	17,124,250
125,315	Illinois Tool Works, Inc.	8,486,332
162,575	Minnesota Mining and Manufacturing Co.	19,217,991
949,280	Tyco International, Ltd.	55,912,592
		189,208,852
E-Commerce/Services – 0.4%		
181,597	eBay, Inc.*	12,148,839
Electronic Components – Semiconductors – 0.7%		
224,830	National Semiconductor Corp.*	6,922,516
196,670	NVIDIA Corp.*	13,157,223
		20,079,739
Fiduciary Banks – 3.8%		
1,695,996	Bank of New York Company, Inc.	69,196,637
555,277	Northern Trust Corp.	33,438,781
		102,635,418
Finance – Investment Bankers/Brokers – 1.7%		
289,205	Goldman Sachs Group, Inc.	26,823,764
372,454	Merrill Lynch & Company, Inc.	19,412,302
		46,236,066
Financial Guarantee Insurance – 2.0%		
720,185	MGIC Investment Corp.	44,449,818
156,200	PMI Group, Inc.	10,466,962
		54,916,780
Food – Diversified – 0.3%		
178,135	General Mills, Inc.	9,264,801
Food – Retail – 0.5%		
340,955	Safeway, Inc.*	14,234,871
Food – Wholesale/Distribution – 0.6%		
583,610	SYSCO Corp.	15,302,254
Hospital Beds and Equipment – 0.1%		
28,090	Hillenbrand Industries, Inc.	1,552,534
Hotels and Motels – 0.5%		
434,640	Starwood Hotels and Resorts Worldwide, Inc.	12,974,004
Human Resources – 0.3%		
253,675	Robert Half International, Inc.*	6,773,122
Identification Systems and Devices – 0.5%		
897,134	Symbol Technologies, Inc.	14,246,488
Instruments – Scientific – 1.9%		
1,071,413	Dionex Corp.*	27,331,746
241,385	Millipore Corp.	14,652,069
288,605	PerkinElmer, Inc.	10,106,947
		52,090,762
Internet Brokers – 1.9%		
3,283,021	Charles Schwab Corp.	50,788,335
Life and Health Insurance – 2.3%		
942,395	AFLAC, Inc.	23,145,221
175,585	Principal Financial Group, Inc.*	4,214,040
726,380	StanCorp Financial Group, Inc.	34,321,455
		61,680,716

Shares or Principal Amount		Market Value
Medical – Biomedical and Genetic – 0.6%		
287,251	Genentech, Inc.*	$ 15,583,367
Medical – Drugs – 0.9%		
204,555	American Home Products Corp.	12,551,495
297,140	Pfizer, Inc.	11,841,029
		24,392,524
Medical – Hospitals – 2.5%		
1,179,370	Tenet Healthcare Corp.*	69,252,606
Medical – Outpatient and Home Medical Care – 0.3%		
368,790	Apria Healthcare Group, Inc.*	9,216,062
Medical Instruments – 0.8%		
485,290	Apogent Technologies, Inc.*	12,520,482
86,745	Biomet, Inc.	2,680,421
89,050	St. Jude Medical, Inc.*	6,914,733
		22,115,636
Medical Products – 1.3%		
496,610	Becton, Dickinson and Co.	16,462,622
222,295	Stryker Corp.	12,975,359
9,411	Synthes-Stratec, Inc.	6,552,540
		35,990,521
Metal Processors and Fabricators – 0.2%		
179,575	Precision Castparts Corp.	5,072,994
Miscellaneous Distribution and Wholesale – 0.1%		
44,675	W.W. Grainger, Inc.	2,144,400
Multi-Line Insurance – 1.8%		
638,605	Allstate Corp.	21,520,988
151,405	American International Group, Inc.	12,021,557
177,140	HCC Insurance Holdings, Inc.	4,880,207
220,430	PartnerRe, Ltd.	11,903,220
		50,325,972
Multimedia – 12.7%		
6,749,958	AOL Time Warner, Inc.*	216,673,652
2,771,289	Viacom, Inc. – Class B*	122,352,409
377,220	Walt Disney Co.	7,815,998
		346,842,059
Networking Products – 1.2%		
1,849,929	Cisco Systems, Inc.*	33,502,214
Property and Casualty Insurance – 3.3%		
1,026,265	ACE, Ltd.	41,204,540
133,405	W. R. Berkley Corp.	7,163,849
455,570	XL Capital, Ltd. – Class A	41,620,875
		89,989,264
Radio – 0%		
2,160	Hispanic Broadcasting Corp.*	55,080
Reinsurance – 1.5%		
7,760	Berkshire Hathaway, Inc. – Class B*	19,594,000
172,865	Everest Re Group, Ltd.	12,221,556
106,690	RenaissanceRe Holdings, Ltd.	10,178,226
		41,993,782
Retail – Discount – 0.5%		
287,344	Costco Wholesale Corp.*	12,752,327
Retail – Drug Store – 1.9%		
1,569,820	Walgreen Co.	52,840,141

See Notes to Schedules of Investments.

Shares or Principal Amount		Market Value
Semiconductor Components/Integrated Circuits – 8.0%		
206,867	Integrated Device Technology, Inc.*	$ 5,500,594
2,674,080	Linear Technology Corp.	104,396,083
2,073,601	Maxim Integrated Products, Inc.*	108,884,789
		218,781,466
Semiconductor Equipment – 2.2%		
868,830	Applied Materials, Inc.*	34,840,083
211,300	KLA-Tencor Corp.*	10,472,028
281,500	Mykrolis Corp.*	4,504,000
270,930	Novellus Systems, Inc.*	10,688,189
		60,504,300
Telecommunication Equipment – 1.8%		
169,341	Nokia Oyj**	4,366,507
1,824,135	Nokia Oyj (ADR)**	44,746,032
		49,112,539
Television – 1.8%		
1,230,691	Univision Communications, Inc. – Class A*	49,793,758
Tools – Hand Held – 0.6%		
358,520	Stanley Works Co.	16,696,276
Transportation – Railroad – 0.5%		
106,699	Canadian National Railway Co.	5,126,867
171,550	Canadian National Railway Co. – New York Shares	8,282,434
		13,409,301
Transportation – Services – 1.6%		
170,355	Expeditors International of Washington, Inc.	9,701,717
627,755	United Parcel Service, Inc. – Class B	34,212,647
		43,914,364
Total Common Stock (cost $2,584,055,432)		2,635,509,566
Short-Term Corporate Note – 1.4%		
	Citicorp	
$37,000,000	1.70%, 1/2/02 (amortized cost $36,998,253)	36,998,253
Time Deposit – 2.1%		
	State Street Bank and Trust Co.	
57,600,000	1.65%, 1/2/02 (cost $57,600,000)	57,600,000
Total Investments (total cost $2,678,653,685) – 100.1%		2,730,107,819
Liabilities, net of Cash, Receivables and Other Assets – (0.1%)		(2,142,139)
Net Assets – 100%		$2,727,965,680

Summary of Investments by Country, December 31, 2001

Country	*% of Investment Securities*	*Market Value*
Bermuda	6.3%	$ 173,041,009
Canada	0.8%	20,213,471
Finland	1.8%	49,112,539
Ireland	0.6%	16,061,377
Switzerland	0.2%	6,552,540
United States††	90.3%	2,465,126,883
Total	100.0%	$2,730,107,819

††Includes Short-Term Securities (86.8% excluding Short-Term Securities)

Forward Currency Contracts, Open at December 31, 2001

Currency Sold and Settlement Date	*Currency Units Sold*	*Currency Value in $ U.S.*	*Unrealized Gain/(Loss)*
Euro 4/26/02	12,900,000	$11,434,830	$13,547
Euro 5/10/02	500,000	443,022	2,303
Total		$11,877,852	$15,850

See Notes to Schedules of Investments.

Statement of Assets and Liabilities

As of December 31, 2001 *(all numbers in thousands except net asset value per share)*	*Janus Aspen Growth Portfolio*
Assets:	
Investments at cost	$2,678,654
Investments at value:	$2,730,108
Cash	2,034
Receivables:	
Investments sold	6,542
Portfolio shares sold	2,644
Dividends	1,047
Interest	3
Other assets	10
Forward currency contracts	16
Total Assets	2,742,404
Liabilities:	
Payables:	
Investments purchased	239
Portfolio shares repurchased	12,618
Advisory fees	1,487
Accrued expenses	94
Total Liabilities	14,438
Net Assets	$2,727,966
Net Assets – Institutional Shares	$2,490,954
Shares Outstanding, $0.001 Par Value (unlimited shares authorized)	125,267
Net Asset Value Per Share	$ 19.89
Net Assets – Service Shares	$ 237,012
Shares Outstanding, $0.001 Par Value (unlimited shares authorized)	11,993
Net Asset Value Per Share	$ 19.76

See Notes to Financial Statements.

Statement of Operations

For the fiscal year ended December 31, 2001 (all numbers in thousands)	Janus Aspen Growth Portfolio
Investment Income:	
Interest	$ 6,473
Dividends	16,327
Foreign tax withheld	(270)
Total Investment Income	22,530
Expenses:	
Advisory fees	19,965
Transfer agent expenses	6
Registration fees	90
System fees	15
Custodian fees	209
Insurance expense	7
Audit fees	17
Distribution fees – Service Shares	400
Other expenses	31
Total Expenses	20,740
Expense and Fee Offsets	(56)
Net Expenses	20,684
Excess Expense Reimbursement	—
Net Expenses After Reimbursement	20,684
Net Investment Income/(Loss)	1,846
Net Realized and Unrealized Gain/(Loss) on Investments:	
Net realized gain/(loss) from securities transactions	(869,692)
Net realized gain/(loss) from foreign currency translations	5,208
Change in net unrealized appreciation/(depreciation) of investments and foreign currency translations	(57,057)
Net Realized and Unrealized Gain/(Loss) on Investments and foreign currency translations	(921,541)
Net Increase/(Decrease) in Net Assets Resulting from Operations	$(919,695)

See Notes to Financial Statements.

Statement of Changes in Net Assets

For the fiscal year ended December 31 (all numbers in thousands)	Janus Aspen Growth Portfolio 2001	2000
Operations:		
Net investment income/(loss)	$ 1,846	$ 6,890
Net realized gain/(loss) from investment transactions and foreign currency translations	(864,484)	109,117
Change in unrealized net appreciation/(depreciation) of investments and foreign currency translations	(57,057)	(795,678)
Net Increase/(Decrease) in Net Assets Resulting from Operations	(919,695)	(679,671)
Dividends and Distributions to Shareholders:		
Net investment income*	(1,848)	(7,413)
Net realized gain from investment transactions*	(6,012)	(317,739)
Tax Return of Capital*	(80)	—
Net Decrease from Dividends and Distributions	(7,940)	(325,152)
Capital Share Transactions:		
Shares sold		
Institutional Shares	477,755	1,526,722
Retirement Shares	—	153,079
Service Shares	192,816	125,070
Reinvested dividends and distributions		
Institutional Shares	7,645	309,764
Retirement Shares	—	14,214
Service Shares	295	1,174
Shares repurchased		
Institutional Shares	(634,488)	(312,403)
Retirement Shares	—	(19,033)
Service Shares	(22,885)	(4,460)
Shares transferred – Retirement Shares(2)	N/A	(156,824)
Net Increase/(Decrease) from Capital Share Transactions	21,138	1,637,303
Net Increase/(Decrease) in Net Assets	(906,497)	632,480
Net Assets:		
Beginning of period	3,634,463	3,001,983
End of period	$ 2,727,966	$ 3,634,463
Net Assets Consist of:		
Capital (par value and paid-in surplus)*	$ 3,599,918	$ 3,578,860
Undistributed net investment income/(loss)*	(1)	—
Undistributed net realized gain/(loss) from investments*	(923,415)	(52,918)
Unrealized appreciation/(depreciation) of investments and foreign currency translations	51,464	108,521
Total Net Assets	$ 2,727,966	$ 3,634,463
Transactions in Portfolio Shares – Institutional Shares		
Shares sold	21,018	45,926
Reinvested dividends and distributions	332	9,910
Total	21,350	55,836
Shares Repurchased	(29,402)	(9,974)
Net Increase/(Decrease) in Portfolio Shares	(8,052)	45,862
Shares Outstanding, Beginning of Period	133,319	87,457
Shares Outstanding, End of Period	125,267	133,319
Transactions in Portfolio Shares – Retirement Shares(1)		
Shares sold	N/A	4,483,356
Reinvested dividends and distributions	N/A	455,506
Total	N/A	4,938,862
Shares Repurchased	N/A	(560,239)
Shares Transferred(2)	N/A	(6,143,154)
Net Increase/(Decrease) in Portfolio Shares	N/A	(1,764,531)
Shares Outstanding Beginning of Period	N/A	1,764,531
Shares Outstanding End of Period	N/A	—
Transactions in Portfolio Shares – Service Shares(1)		
Shares sold	9,086,376	4,084,302
Reinvested dividends and distributions	12,711	37,963
Total	9,099,087	4,122,265
Shares Repurchased	(1,076,388)	(152,075)
Net Increase/(Decrease) in Portfolio Shares	8,022,699	3,970,190
Shares Outstanding, Beginning of Period	3,970,190	—
Shares Outstanding, End of Period	11,992,889	3,970,190
Purchases and Sales of Investment Securities: (excluding short-term securities)		
Purchases of securities	$ 1,557,267	$ 3,172,066
Proceeds from sales of securities	1,395,245	1,649,395
Purchases of long-term U.S. government obligations	—	—
Proceeds from sales of long-term U.S. government obligations	—	—

*See Note 3 in Notes to Financial Statements.
(1) Transactions in Portfolio Shares – Retirement and Service Shares numbers are not in thousands.
(2) A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. All Capital and Shares were transferred to the corresponding fund of the newly formed Janus Adviser Series. See Note 1 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial Highlights – Institutional Shares

For a share outstanding during the fiscal year ended December 31	*Janus Aspen Growth Portfolio* 2001	2000	1999	1998	1997
Net Asset Value, Beginning of Period	$26.48	$33.65	$23.54	$18.48	$15.51
Income from Investment Operations:					
Net investment income/(loss)	.02	.05	.07	.05	.15
Net gain/(loss) on securities (both realized and unrealized)	(6.56)	(4.59)	10.24	6.36	3.34
Total from Investment Operations	(6.54)	(4.54)	10.31	6.41	3.49
Less Distributions:					
Dividends (from net investment income)*	(.01)	(.06)	(.06)	(.05)	(.15)
Distributions (from capital gains)*	(.04)	(2.57)	(.14)	(1.30)	(.37)
Total Distributions	(.05)	(2.63)	(.20)	(1.35)	(.52)
Net Asset Value, End of Period	$19.89	$26.48	$33.65	$23.54	$18.48
Total Return	(24.73)%	(14.55)%	43.98%	35.66%	22.75%
Net Assets, End of Period (in thousands)	$2,490,954	$3,529,807	$2,942,649	$1,103,549	$608,281
Average Net Assets for the Period (in thousands)	$2,911,331	$3,734,449	$1,775,373	$789,454	$477,914
Ratio of Gross Expenses to Average Net Assets(1)	0.66%	0.67%	0.67%	0.68%	0.70%
Ratio of Net Expenses to Average Net Assets(1)	0.66%	0.67%	0.67%	0.68%	0.69%
Ratio of Net Investment Income to Average Net Assets	0.07%	0.19%	0.30%	0.26%	0.91%
Portfolio Turnover Rate	48%	47%	53%	73%	122%

*See Note 3 in Notes to Financial Statements.
(1) See Note 5 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial Highlights – Service Shares

For a share outstanding during the fiscal year ended December 31	*Janus Aspen Growth Portfolio* *2001*	*2000*
Net Asset Value, Beginning of Period	$26.36	$33.52
Income from Investment Operations:		
Net investment income/(loss)	(.02)	(.01)
Net gain/(loss) on securities (both realized and unrealized)	(6.54)	(4.58)
Total from Investment Operations	(6.56)	(4.59)
Less Distributions:		
Dividends (from net investment income)*	—	—
Distributions (from capital gains)*	(.04)	(2.57)
Tax return of capital*	—	—
Total Distributions	(.04)	(2.57)
Net Asset Value, End of Period	$19.76	$26.36
Total Return	(24.90)%	(14.75)%
Net Assets, End of Period (in thousands)	$237,012	$104,656
Average Net Assets for the Period (in thousands)	$160,200	$ 29,782
Ratio of Gross Expenses to Average Net Assets(1)	0.91%	0.92%
Ratio of Net Expenses to Average Net Assets(1)	0.91%	0.92%
Ratio of Net Investment Income/(Loss) to Average Net Assets	(0.20)%	(0.07)%
Portfolio Turnover Rate	48%	47%

*See Note 3 in Notes to Financial Statements.
(1) See Note 5 in Notes to Financial Statements.

See Notes to Financial Statements.

Notes to Schedule of Investments

ADR American Depository Receipt

GDR Global Depository Receipt

*Non-income producing security

**A portion of this security has been segregated by the custodian to cover margin or segregation requirements on open futures contracts, forward currency contracts and/or swap spread lock agreements.

† Securities are exempt from the registration requirements of the Securities Act of 1933 and/or Section 4 (2) of the Securities Act and may be deemed to be restricted for resale.

Ω Rate is subject to change. Rate shown reflects current rate.

Δ Security is a defaulted security in Aspen Global Technology Portfolio and Aspen Flexible Income Portfolio with interest in the amount of $40,000 and $39,840, respectively, that was written-off December 10, 2001.

§ Restricted and/or Illiquid Securities are valued at fair value determined in good faith under procedures established by and under the supervision of the Trustees.

Variable Rate Notes. The interest rate, which is based on specific, or an index of, market interest rates, is subject to change. Rates in the security description are as of December 31, 2001.

Money market funds may hold securities with stated maturities of greater than 397 days when those securities have features that allow a fund to "put" back the security to the issuer or to a third party within 397 days of acquisition. The maturity dates shown in the security descriptions are the stated maturity dates.

Repurchase Agreements held by a Portfolio are fully collateralized, and such collateral is in the possession of the Portfolio's custodian or subcustodian. The collateral is evaluated daily to ensure its market value equals or exceeds the current market value of the repurchase agreements including accrued interest. In the event of default on the obligation to repurchase, the Portfolio has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

Notes to Financial Statements

The following section describes the organization and significant accounting policies of the Portfolios and provides more detailed information about the schedules and tables that appear throughout this report. In addition, the Notes explain how the Portfolios operate and the methods used in preparing and presenting this report.

1. Organization and significant accounting policies

Janus Aspen Series (the "Trust") was organized as a Delaware Trust on May 20, 1993, and is registered under the Investment Company Act of 1940 (the "1940 Act") as a no-load, open-end management investment company. The Trust offers fourteen Portfolios or series of shares with differing investment objectives and policies. Twelve Portfolios invest primarily in equity securities: Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Core Equity Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Growth and Income Portfolio, Janus Aspen Strategic Value Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Global Life Sciences Portfolio, Janus Aspen Global Technology Portfolio and Janus Aspen Global Value Portfolio. One Portfolio invests primarily in income-producing securities: Janus Aspen Flexible Income Portfolio. Janus Aspen Money Market Portfolio invests in short-term money market securities. Each Portfolio is diversified as defined in the 1940 Act, with the exception of the Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Global Life Sciences Portfolio, Janus Aspen Global Technology Portfolio, Janus Aspen Strategic Value Portfolio and Janus Aspen Global Value Portfolio, which are nondiversified.

Institutional Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively "variable insurance contracts"), as well as certain qualified retirement plans. Effective May 1, 1997, the Trust issued the Retirement Shares. Retirement Shares of the Trust were issued and redeemed only in connection with certain qualified retirement plans.

Effective December 31, 1999, the Trust issued a new class of shares, the Service Shares. Service Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively "variable insurance contracts"), as well as certain qualified retirement plans.

Janus Aspen Global Value Portfolio began operations on May 1, 2001. The Portfolio offers the Service Shares only and Janus Capital Corporation ("Janus Capital") invested $2,000,000 of initial seed capital.

Janus Aspen High-Yield Portfolio was liquidated on October 26, 2001. Regulatory approvals were obtained to substitute shares of the Janus Aspen Flexible Income Portfolio for shares of the Janus Aspen High-Yield Portfolio. 60,319 shares in the amount of $731,670 were exchanged into Janus Aspen Flexible Income Portfolio as a result of the substitution.

Effective December 31, 2001, the Trust issued a new class of shares, the Service II Shares in the Janus Aspen International Growth, Janus Aspen Worldwide Growth, and Janus Aspen Global Technology Portfolios. Janus Capital invested $10,000 of initial seed capital in each Portfolio of the Service II Shares, which is not reflected in the financial statements.

A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. Each of the reorganized Portfolios of Janus Aspen Series allocated a pro rata share (percentage of the Retirement Shares to the total Portfolio) of each security position to the corresponding Fund of the newly formed Janus Adviser Series except for securities that were subject to restrictions on resale or transfer, such as private placement securities. Each pro rata share was rounded to eliminate fractional shares and odd lots of securities. Janus Capital, the investment adviser of both Janus Aspen Series and Janus Adviser Series, has agreed to limit expenses of the Funds formed from this reorganization so that they will not increase before July 31, 2003. Specifically, Janus Capital will limit the expenses of each of the new Funds (excluding brokerage commissions, interest, taxes and extraordinary expenses) to the expense ratio of the corresponding Janus Aspen Series Portfolio set forth in the May 1, 2000, Janus Aspen Series Prospectus. These limitations will stay in place until at least July 31, 2003. In addition, Janus Capital paid all the fees associated with the reorganization.

The following accounting policies have been consistently followed by the Trust and are in conformity with accounting principles generally accepted in the investment company industry in the United States of America.

Investment Valuation

Securities are valued at the closing price for securities traded on a principal securities exchange (U.S. or foreign) and on the NASDAQ National Market. Securities traded on over-the-counter markets and listed securities for which no sales are reported are valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers making a market for such securities or by a pricing service approved by the Trustees. Short-term investments maturing within 60 days and all money market securities in the Money Market Portfolio are valued at amortized cost, which approximates market value. Foreign securities are converted to U.S. dollars using exchange rates at the close of the New York Stock Exchange. When market quotations are not readily available, securities are valued at fair value as determined in good faith under procedures established by and under the supervision of the Portfolios' Trustees.

Investment Transactions and Investment Income

Investment transactions are accounted for as of the date purchased or sold. Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Trust is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Interest income is recorded on the accrual basis and includes amortization of discounts and premiums. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income and gains and losses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

Forward Currency Transactions and Futures Contracts

The Portfolios enter into forward currency contracts in order to hedge their exposure to changes in foreign currency exchange rates on their foreign portfolio holdings and to lock in the U.S. dollar cost of firm purchase and sales commitments denominated in foreign currencies. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the U.S. dollar cost of the original contract and the value of the foreign currency in U.S. dollars upon closing such a contract is included in net realized gain or loss on foreign currency transactions.

Forward currency contracts held by the Portfolios are fully collateralized by other securities, in possession at the Portfolio's custodian, which are denoted in the accompanying Schedule of Investments. The market value of these securities is evaluated daily to ensure that it is equal to or exceeds the current market value of the corresponding forward currency contract.

Currency gain and loss are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to security transactions and income.

The Portfolios do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at fiscal year-end. Net unrealized appreciation or depreciation on investments and foreign currency translation arise from changes in the value of assets and liabilities, including investments in securities at fiscal year end, resulting from changes in the exchange rates and changes in market prices of securities held.

The Portfolios may enter into futures contracts and options on securities, financial indices and foreign currencies, forward contracts and interest-rate swaps and swap-related products. The Portfolios intend to use such derivative instruments primarily to hedge or protect from adverse movements in securities prices, currency rates or interest rates. The use of futures contracts and options may involve risks such as the possibility of illiquid markets or imperfect correlation between the value of the contracts and the underlying securities or that the counterparty will fail to perform its obligations.

Futures contracts are marked to market daily, and the variation margin is recorded as an unrealized gain or loss. When a contract is closed, a realized gain or loss is recorded equal to the difference between the opening and closing value of the contract. Generally, open forward and futures contracts are marked to market (i.e., treated as realized and subject to distribution) for federal income tax purposes at fiscal year-end.

Foreign-denominated assets and forward currency contracts may involve more risks than domestic transactions, including: currency risk, political and economic risk, regulatory risk and market risk. Risks may arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was effective for fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133," delaying by one year the effective date of SFAS No. 133. The effective date for the Portfolios was January 1, 2001. In June 2000, the FASB issued No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," an amendment of SFAS No. 133. SFAS 133, as amended, may affect the accounting treatment of the Portfolios' derivative instruments and related assets. The Portfolios have adopted this new standard and have determined that the impact on the Financial Statements is insignificant.

In November 2000, a revised AICPA Audit and Accounting Guide, *Audits of Investment Companies,* was issued, and is effective for fiscal years beginning after December 15, 2000. The Portfolios have adopted this new Guide and have determined that the impact on the Financial Statements is insignificant.

Initial Public Offerings

The Portfolios may invest in initial public offerings (IPOs). IPOs and other investment techniques may have a magnified performance impact on a portfolio with a small asset base. The Portfolios may not experience similar performance as their assets grow.

Additional Investment Risk

A portion of the Flexible Income Portfolio may be invested in lower-rated debt securities that have a higher risk of default or loss of value because of changes in the economy or in their respective industry.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Security Transactions

Restricted securities held by a Portfolio may not be sold except in exempt transactions or in a public offering registered under the Securities Act of 1933. The risk of investing in such securities is generally greater than the risk of investing in the securities of widely held, publicly traded companies. Lack of a secondary market and resale restrictions may result in the inability of a Portfolio to sell a security at a fair price and may substantially delay the sale of the security which each portfolio seeks to sell. In addition, these securities may exhibit greater price volatility than securities for which secondary markets exist.

Dividend Distributions and Expenses

Each Portfolio, except the Money Market Portfolio, makes at least semiannual distributions of substantially all of its investment income and at least an annual distribution of its net realized capital gains, if any. Dividends are declared daily and distributed monthly for the Money Market Portfolio. The majority of dividends and capital gains distributions from a Portfolio will be automatically reinvested into additional shares of that Portfolio.

Expenses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

Federal Income Taxes

No provision for income taxes is included in the accompanying financial statements as the Portfolios intend to distribute to shareholders all taxable investment income and realized gains and otherwise comply with the Internal Revenue Code applicable to regulated investment companies.

2. Investment Advisory Agreement and Other Transactions with Affiliates

Each equity Portfolio is subject to advisory fees payable to Janus Capital based upon an annual rate of .65% of average net assets. The Flexible Income Portfolio is subject to advisory fees payable to Janus Capital based upon annual rates of .65% of the first $300 million of average net assets plus .55% of average net assets in excess of $300 million. The Money Market Portfolio's advisory fee rate is .25% of average net assets. For additional information on the specific fees for the Service Shares, please refer to Note 4 of the financial statements.

A special meeting of shareholders of Janus Aspen Series will be held on January 31, 2002 to consider and approve new investment advisory agreements for the Portfolios. The new advisory agreements are the same in all material respects as the current advisory agreements. Contingent upon receipt of shareholder approval, the new advisory agreements will be effective upon the termination of Mr. Bailey's contractual right to select a majority of Janus Capital's board of directors, currently anticipated to be on or about March 28, 2002, and will continue in effect until July 1, 2002. Thereafter, each new advisory agreement will continue in effect from year to year so long as such continuance is approved at least annually by a majority of the Portfolios' independent Trustees.

Janus Capital has agreed to reduce its fee to the extent normal operating expenses exceed 1% of the average net assets of the Flexible Income Portfolio and .50% of the average net assets of the Money Market Portfolio for a fiscal year. Janus Capital has also agreed to reduce its fee to the extent that normal operating expenses exceed 1.25% of the average net assets of the Core Equity, Strategic Value, Global Life Sciences, Global Technology and Global Value Portfolios.

Janus Capital has agreed to continue these fee waivers and reductions until at least the next annual renewal of the advisory contracts. The distribution fee applicable to the Service Shares is not included in these expense limits.

Officers and certain trustees of the Trust are also officers and/or directors of Janus Capital; however, they receive no compensation from the Trust.

Janus Service Corporation ("Janus Service"), a wholly owned subsidiary of Janus Capital, receives certain out-of-pocket expenses for transfer agent services.

Janus Distributors, Inc., a wholly owned subsidiary of Janus Capital, is a distributor of the Portfolios. The Service Shares have adopted a Distribution and Shareholder Servicing Plan (The "Plan") pursuant to Rule 12b-1 under The 1940 Act. The Plan authorizes payments by the Portfolios in connection with the distribution of the Service Shares at an annual rate, as determined from time to time by the Board of Trustees, of up to .25% of the Service Shares' average daily net assets.

DST Systems, Inc. (DST), an affiliate of Janus Capital through a degree of common ownership, provides accounting systems to the Portfolios. DST Securities, Inc., a wholly owned subsidiary of DST, provides brokerage services on certain portfolio transactions. Brokerage commissions paid to DST Securities, Inc. serve to reduce fees and expenses. Brokerage commissions paid, fees reduced and the net fees paid to DST for the period ended December 31, 2001, are noted below. Effective June 1, 2001, State Street Bank and Trust Company acquired the fund accounting system from DST.

Portfolio	DST Securities, Inc. Commissions Paid*	Portfolio Expense Reduction*	DST Systems Costs
Janus Aspen Growth Portfolio	$25,075	$18,811	$(4,774)

*The difference between commissions paid to DST Securities, Inc. and expenses reduced constitute commissions paid to an unaffiliated clearing broker.

Notes to Financial Statements *(continued)*

3. Federal Income Tax

The tax components of capital shown in the table below represent: (1) distribution requirements the Portfolios must satisfy under the income tax regulations, (2) losses or deductions the Portfolios may be able to offset against income and gains realized in future years, and (3) unrealized appreciation or depreciation of investments for federal income tax purposes.

Accumulated capital losses noted below represent net capital loss carryovers as of December 31, 2001 that may be available to offset future realized capital gains and thereby reduce future taxable gain distributions. These carryovers expire between December 1, 2008 and December 31, 2009.

In 2001, the Portfolios noted below incurred "Post-October" losses during the period from November 1 through December 31, 2001. These losses will be deferred for tax purposes and recognized in 2002.

Other book to tax differences in 2001 primarily consist of foreign currency contract adjustments. The Portfolios have elected to treat gains and losses on forward foreign currency contracts as capital gains and losses. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code.

Portfolio	*Undistributed Ordinary Income*	*Undistributed Long-Term Gains*	*Accumulated Capital Losses*	*Post-October Deferral*	*Other Book to Tax Differences*	*Net Tax Appreciation/ (Depreciation)*
Janus Aspen Growth Portfolio	—	—	$(825,859,740)	$(84,289,068)	$(15,850)	$38,212,656

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investments for federal income tax purposes as of December 31, 2001 are noted below. Unrealized appreciation and unrealized depreciation in the table below exclude appreciation/ depreciation on foreign currency translations. The primary difference between book and tax appreciation or depreciation of investments is wash sale loss deferrals.

Portfolio	*Federal Tax Cost*	*Unrealized Appreciation*	*Unrealized (Depreciation)*
Janus Aspen Growth Portfolio	$2,691,905,337	$351,563,712	$(313,361,230)

Income and capital gains distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as net short-term gains, deferral of wash sale losses, foreign currency transactions, net investment losses and capital loss carryovers. Certain permanent differences such as tax returns of capital and net investment losses noted below have been reclassified to paid-in capital.

	Distributions			
Portfolio	*From Ordinary Income*	*From Long-Term Capital Gains*	*Tax Return of Capital*	*Net Investment Loss*
Janus Aspen Growth Portfolio	$1,847,982	$6,012,058	$80,158	—

4. Expenses

The Portfolios' expenses may be reduced through expense-reduction arrangements. Those arrangements include the use of broker commissions paid to DST Securities, Inc. and uninvested cash balances earning interest with the Portfolios' custodian. The Statements of Operations reflect the total expenses before any offset, the amount of the offset and the net expenses. The expense ratios listed in the Financial Highlights reflect expenses prior to any expense offset (gross expense ratio) and after expense offsets (net expense ratio). Both expense ratios reflect expenses after waivers.

Janus Aspen Series Service Shares incur a pro rata share of operating expenses. In addition, the Service Shares pay a distribution fee of up to .25% of average net assets.

5. Expense Ratios

Listed below are the gross expense ratios for the various Portfolios that would be in effect, absent the waiver of certain fees, and offsets.

	Institutional Shares					*Service Shares*	
Portfolio	*2001*	*2000*	*1999*	*1998*	*1997*	*2001*	*2000*
Janus Aspen Growth Portfolio	0.66%	0.67%	0.69%	0.75%	0.78%	0.91%	0.92%

Explanations of Charts, Tables and Financial Statements *(unaudited)*

1. Performance Overviews

Performance overview graphs on the previous pages compare the performance of a $10,000 investment in each Portfolio (from inception) with one or more widely used market indices through December 31, 2001.

When comparing the performance of a Portfolio with an index, keep in mind that market indices do not include brokerage commissions that would be incurred if you purchased the individual securities in the index. They also do not include taxes payable on dividends and interest or operating expenses incurred if you maintained a Portfolio invested in the index.

Average annual total returns are also quoted for each class of the Portfolio. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period.

2. Schedules of Investments

Following the performance overview section is each Portfolio's Schedule of Investments. This schedule reports the industry concentrations and types of securities held in each Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. government obligations, etc.) and by industry classification (banking, communications, insurance, etc.).

The market value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

Portfolios that invest in foreign securities also provide a summary of investments by country. This summary reports the Portfolio's exposure to different countries by providing the percentage of securities invested in each country.

2a. Forward Currency Contracts

A table listing forward currency contracts follows each Portfolio's Schedule of Investments (if applicable). Forward currency contracts are agreements to deliver or receive a preset amount of currency at a future date. Forward currency contracts are used to hedge against foreign currency risk in the Portfolio's long-term holdings.

The table provides the name of the foreign currency, the settlement date of the contract, the amount of the contract, the value of the currency in U.S. dollars and the amount of unrealized gain or loss. The amount of unrealized gain or loss reflects the change in currency exchange rates from the time the contract was opened to the last day of the reporting period.

3. Statement of Assets and Liabilities

This statement is often referred to as the "balance sheet." It lists the assets and liabilities of the Portfolios on the last day of the reporting period.

The Portfolios' assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on stocks owned and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolios' liabilities include payables for securities purchased but not yet settled, Portfolio shares redeemed but not yet paid and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as forward currency contracts.

The last section of this statement reports the net asset value (NAV) per share on the last day of the reporting period for each class of the Portfolio. The NAV is calculated by dividing the Portfolios' net assets (assets minus liabilities) by the number of shares outstanding.

4. Statement of Operations

This statement details the Portfolios' income, expenses, gains and losses on securities and currency transactions, and appreciation or depreciation of current Portfolio holdings.

The first section in this statement, titled "Investment Income," reports the dividends earned from stocks and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses and expense offsets incurred by the Portfolios, including the advisory fee paid to the investment adviser, transfer agent fees, shareholder servicing expenses, and printing and postage for mailing statements, financial reports and prospectuses.

The last section lists the increase or decrease in the value of securities held in the Portfolios. Portfolios realize a gain (or loss) when they sell their position in a particular security. An unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolios during the period. "Net Realized and Unrealized Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

5. Statement of Changes in Net Assets

This statement reports the increase or decrease in the Portfolios' net assets during the reporting period. Changes in the Portfolios' net assets are attributable to investment operations, dividends, distributions and capital share transactions. This is important to investors because it shows exactly what caused the Portfolios' net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolios' investment performance. The Portfolios' net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends in cash, money is taken out of the Portfolio to pay the distribution. If investors reinvest their dividends, the Portfolios' net assets will not be affected. If you compare each Portfolio's "Net Decrease from Dividends and Distributions" to the "Reinvested dividends and distributions," you'll notice that dividend distributions had little effect on each Portfolio's net assets. This is because the majority of Janus investors reinvest their distributions.

The reinvestment of dividends is included under "Capital Share Transactions." "Capital Shares" refers to the money investors contribute to the Portfolios through purchases or withdrawal via redemptions. Each Portfolio's net assets will increase and decrease in value as investors purchase and redeem shares from a Portfolio.

The section entitled "Net Assets Consist of" breaks down the components of the Portfolios' net assets. Because Portfolios must distribute substantially all earnings, you'll notice that a significant portion of net assets is shareholder capital.

6. Financial Highlights

This schedule provides a per-share breakdown of the components that affect the net asset value (NAV) for current and past reporting periods for each class of the Portfolio. Not only does this table provide you with total return, it also reports total distributions, asset size, expense ratios and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income per share, which comprises dividends and interest income earned on securities held by the Portfolios. Following is the total of gains, realized and unrealized. Dividends and distributions are then subtracted to arrive at the NAV per share at the end of the period.

Also included are the expense ratios, or the percentage of net assets that was used to cover operating expenses during the period. Expense ratios vary across the Portfolios for a number of reasons, including the differences in management fees, average shareholder account size, the frequency of dividend payments and the extent of foreign investments, which entail greater transaction costs.

The Portfolios' expenses may be reduced through expense-reduction arrangements. These arrangements include the use of brokerage commissions, uninvested cash balances earning interest or balance credits. The Statement of Operations reflects total expenses before any such offset, the amount of offset and the net expenses. The expense ratios listed in the Financial Highlights reflect total expenses both prior to any expense offset and after the offsets.

The ratio of net investment income summarizes the income earned divided by the average net assets of a Portfolio during the reporting period. Don't confuse this ratio with a Portfolio's yield. The net investment income ratio is not a true measure of a Portfolio's yield because it doesn't take into account the dividends distributed to the Portfolio's investors.

The next ratio is the portfolio turnover rate, which measures the buying and selling activity in a Portfolio. Portfolio turnover is affected by market conditions, changes in the size of a Portfolio, the nature of the Portfolio's investments and the investment style of the portfolio manager. A 100% rate implies that an amount equal to the value of the entire Portfolio is turned over in a year; a 50% rate means that an amount equal to the value of half the Portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the Portfolio is sold every six months.

Trustees and Officers *(unaudited)*

The following are the Trustees and officers of the Trust, together with a brief description of their principal occupations during the last five years. Each Trustee has served in that capacity since he was originally elected or appointed. In addition, each Trustee is currently a Trustee of two other registered investment companies advised by Janus Capital: Janus Investment Funds and Janus Adviser Series. Collectively, these three registered investment companies consist of 51 series or funds.

The Trustees do not serve a specified term of office. Each Trustee will hold office until the termination of the Trust or his earlier death, resignation, retirement, incapacity, or removal. The retirement age for Trustees is 72. The Funds' Nominating and Governance Committee will consider nominees for the position of Trustee recommended by shareholders.

Trustees

Name, Age and Address	Positions Held with Fund	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Interested Trustee					
Thomas H. Bailey* 100 Fillmore Street Denver, CO 80206 Age 64	President, Chairman and Trustee	5/93-Present	President, Chairman, Chief Executive Officer and Director of Janus Capital. Formerly, Director (1997-2001) of Janus Distributors, Inc.	51	N/A
Independent Trustees					
Dennis B. Mullen 100 Fillmore Street Denver, CO 80206 Age 58	Trustee	9/93-Present	Private Investor. Formerly (1997-1998) Chief Financial Officer – Boston Market Concepts, Boston Chicken, Inc., Golden, CO (a restaurant chain)	51	N/A
James T. Rothe 100 Fillmore Street Denver, CO 80206 Age 58	Trustee	1/97-Present	Distinguished Visiting Professor of Business, Thunderbird (American Graduate School of International Management), Phoenix, AZ, and Professor of Business, University of Colorado, Colorado Springs, CO. Formerly (1988-1999) Principal of Phillips-Smith Retail Group, Colorado Springs, CO (a venture capital firm)	51	Director, Analytical Surveys, Inc.; Director, Optika, Inc.; Director, Neocore Corp.
William D. Stewart 100 Fillmore Street Denver, CO 80206 Age 57	Trustee	9/93-Present	Corporate Vice President and General Manager of MKS Instruments – HPS Products, Boulder, CO (a manufacturer of vacuum fittings and valves)	51	N/A
Martin H. Waldinger 100 Fillmore Street Denver, CO 80206 Age 63	Trustee	9/93-Present	Consultant	51	N/A

*Mr. Bailey is an "interested person" of the Trust by virtue of his positions with Janus Capital.

Trustees and Officers *(continued) (unaudited)*

Officers

Name, Age and Address	Positions Held with Fund	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Laurence J. Chang** 100 Fillmore Street Denver, CO 80206 Age 36	Executive Vice President and Co-Portfolio Manager Worldwide Growth Portfolio	1/00-Present	Vice President of Janus Capital. Formerly, Analyst (1993-1998) for Janus Capital.
David J. Corkins** 100 Fillmore Street Denver, CO 80206 Age 35	Executive Vice President and Portfolio Manager Growth and Income Portfolio	11/97-Present	Vice President of Janus Capital. Formerly, Analyst (1995-1997) for Janus Capital.
David C. Decker** 100 Fillmore Street Denver, CO 80206 Age 35	Executive Vice President and Portfolio Manager Strategic Value Portfolio	12/99-Present	Vice President of Janus Capital.
James P. Goff** 100 Fillmore Street Denver, CO 80206 Age 37	Executive Vice President and Portfolio Manager Aggressive Growth Portfolio	9/93-1/02	Vice President of Janus Capital.
Helen Young Hayes** 100 Fillmore Street Denver, CO 80206 Age 39	Executive Vice President and Co-Portfolio Manager International Growth Portfolio and Worldwide Growth Portfolio	3/94-Present	Vice President and Director of Janus Capital.
C. Mike Lu** 100 Fillmore Street Denver, CO 80206 Age 32	Executive Vice President and Portfolio Manager Global Technology Portfolio	12/99-Present	Vice President of Janus Capital. Formerly, Analyst (1991-1998) for Janus Capital.
Brent A. Lynn** 100 Fillmore Street Denver, CO 80206 Age 37	Executive Vice President and Co-Portfolio Manager International Growth Portfolio	1/01-Present	Vice President of JanusCapital. Formerly, Analyst (1991-2001) for Janus Capital.
Thomas R. Malley** 100 Fillmore Street Denver, CO 80206 Age 33	Executive Vice President and Portfolio Manager Global Life Sciences Portfolio	12/99-Present	Vice President of Janus Capital. Formerly, Analyst (1991-1998) for Janus Capital.
Karen L. Reidy** 100 Fillmore Street Denver, CO 80206 Age 34	Executive Vice President and Portfolio Manager Balanced Portfolio and Core Equity Portfolio	1/00-Present	Vice President of Janus Capital. Formerly, Analyst (1995-1999) of Janus Capital.
Blaine P. Rollins** 100 Fillmore Street Denver, CO 80206 Age 34	Executive Vice President and Portfolio Manager Growth Portfolio	1/00-Present	Vice President of Janus Capital.
Scott W. Schoelzel** 100 Fillmore Street Denver, CO 80206 Age 43	Executive Vice President and Portfolio Manager Capital Appreciation Portfolio	5/97-Present	Vice President of Janus Capital.
Ronald V. Speaker** 100 Fillmore Street Denver, CO 80206 Age 37	Executive Vice President and Portfolio Manager Flexible Income Portfolio	5/93-Present	Vice President of Janus Capital.
J. Eric Thorderson** 100 Fillmore Street Denver, CO 80206 Age 40	Executive Vice President and Portfolio Manager Money Market Portfolio	1/01-Present	Vice President of Janus Capital. Formerly, Senior Analyst (1996-1999) for Janus Capital.

*Officers are elected annually by the Trustees for a one-year term.
**"Interested person" of the Trust by virtue of positions with Janus Capital.

Name, Age and Address	Positions Held with Fund	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Jason P. Yee** 100 Fillmore Street Denver, CO 80206 Age 32	Executive Vice President and Portfolio Manager Global Value Portfolio	3/01-Present	Vice President of Janus Capital. Formerly, Analyst (1992-1997) for Janus Capital.
Thomas A. Early** 100 Fillmore Street Denver, CO 80206 Age 47	Vice President and General Counsel	3/98-Present	Vice President, General Counsel and Secretary of Janus Capital; Vice President, General Counsel, Secretary and Director of Janus Distributors, Inc., Janus Service Corporation, Janus Capital International Ltd., Janus Institutional Services, Inc., and Janus International Holding Company; Vice President. General Counsel and Director to Janus International (Asia) Limited and Janus International Limited; Vice President, General Counsel and Secretary to the Janus Foundation and Director for Janus Capital Trust Manager Limited and Janus World Funds. Formerly, Executive Vice President and General Counsel/Mutual Funds (1994-1998) of Prudential Insurance Company.
Bonnie M. Howe** 100 Fillmore Street Denver, CO 80206 Age 36	Vice President	12/99-Present	Vice President and Assistant General Counsel to Janus Capital, Janus Distributors, Inc. and Janus Service Corporation. Formerly, Assistant Vice President (1997-1999) and Associate Counsel (1995-1999) for Janus Capital and Assistant Vice President (1998-2000) for Janus Service Corporation.
Kelley Abbott Howes** 100 Fillmore Street Denver, CO 80206 Age 36	Vice President and Secretary	12/99-Present	Vice President and Assistant General Counsel to Janus Capital, Janus Distributors, Inc. and Janus Service Corporation. Formerly, Assistant Vice President (1997-1999) of Janus Capital; Chief Compliance Officer, Director and President (1997-1999) of Janus Distributors, Inc.; and Assistant Vice President (1998-2000) of Janus Service Corporation.
Glenn P. O'Flaherty** 100 Fillmore Street Denver, CO 80206 Age 43	Treasurer and Chief Accounting Officer	1/96-Present	Vice President of Janus Capital. Formerly, Director of Fund Accounting (1991-1997) of Janus Capital.
Loren M. Starr** 100 Fillmore Street Denver, CO 80206 Age 40	Vice President and Chief Financial Officer	9/01-Present	Vice President of Finance, Treasurer and Chief Financial Officer of Janus Capital. Formerly, Managing Director, Treasurer and Head of Corporate Finance and Reporting (1998-2001) for Putnam Investments; and Senior Vice President of Financial Planning and Analysis (1996-1998) for Lehman Brothers, Inc.
Heidi J. Walter** 100 Fillmore Street Denver, CO 80206 Age 34	Vice President	4/00-Present	Vice President and Assistant General Counsel to Janus Capital, Janus Distributors, Inc. and Janus Service Corporation. Formerly, Vice President and Senior Legal Counsel (1995-1999) for Stein Roe & Farnham, Inc.

*Officers are elected annually by the Trustees for a one-year term.
**"Interested person" of the Trust by virtue of positions with Janus Capital.

Report of Independent Accountants

To the Trustees and Shareholders
of Janus Aspen Series

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Core Equity Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Growth and Income Portfolio, Janus Aspen Strategic Value Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Global Life Sciences Portfolio, Janus Aspen Global Technology Portfolio, Janus Aspen Global Value Portfolio, Janus Aspen Flexible Income Portfolio and Janus Aspen Money Market Portfolio (constituting the Janus Aspen Series, hereafter referred to as the "Portfolios") at December 31, 2001, the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolios' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2001, by correspondence with the custodians and brokers, provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Denver, Colorado
February 7, 2002

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Janus|Aspen Series

2001 Annual Report

Janus Aspen Growth and Income Portfolio

JANUS

JANUS

Thomas H. Bailey
Chief Executive Officer

While our results reflect a difficult year overall, recently there have been signs of improvement. Both the market and the economy have shown intermittent signs of strength in recent months, and we are encouraged that many of our funds finished the final three months of the year with solid performance.

Only 18 months ago we were still enjoying the longest peacetime expansion in U.S. history and a phenomenal bull market that didn't seem to have an upper bound. Today, with the S&P 500 Index still 25% off its March 2000 peak and the Nasdaq Composite down more than twice that amount, we can only describe what has been, without question, a downturn of truly immense proportions.

The Federal Reserve recognized the sudden slowdown in economic growth for what it was – a threat to the U.S. and world economies that was virtually unprecedented in its scope and speed. For that reason the central bank embarked on the most aggressive rate cutting campaign in its history, and although the economy has shown only tentative signs of recovery, we are encouraged by the notion that the stock market has rarely failed to react – and react strongly – to the Fed's powerful medicine.

Furthermore, we believe those companies that survive the storm will emerge stronger for the experience – leaner, hungrier and in a much better competitive position than before the downturn. Meanwhile, the market's extended decline has left many outstanding franchises trading at levels that, frankly, haven't been seen in years.

For our part, we are doing everything we can to ensure that the last 18 months will remain an anomaly in the greater context of our solid long-term performance record. Within the portfolios, we're focusing our efforts in areas such as media, healthcare and financial services, looking for individual companies we feel are best prepared to endure in the face of continued uncertainty. We've also looked deeper into areas such as technology, analyzing spending trends to determine exactly which firms may benefit most from today's economic and political realities.

Operationally, we've made refinements as well. We continued to increase the depth of our analytical team in 2001 and have continued recruiting aggressively even as other firms in the industry have scaled back. Furthermore, in an effort to push forward the research intensive culture that defines everything we do at Janus, Jim Goff will be stepping up as Director of Research. As one of Janus' original analysts, his ability to finely dissect a company's balance sheet, inquisitive nature and natural mentoring capabilities will help our 43-person analytical team grow their own capabilities and impact on the portfolios.

At the same time, Helen Young Hayes will assume the role as Managing Director of Investments. She is a proven leader who has exhibited proven results and a long-term legacy of success. Helen and Jim will work very closely together to ensure that Janus' research effort continues to function efficiently and with a high degree of excellence. We expect that this effort will be at the root of Janus' continued success over the years.

We made these changes because our continued commitment to the same kind of fundamental research that has always defined our investment process demands it. And, as always, the driver for each individual investment continues to be our rigorous stock selection process – one that has been developed and honed over a period of more than 30 years.

We're convinced that this unwavering commitment will restore performance to the levels you expect from Janus.

Thank you for your continued confidence and investment.

Tom

Tom Bailey
CEO

Past performance does not guarantee future results.
There is no assurance that the investment process will consistently lead to successful investing.

Janus Aspen Growth and Income Portfolio

David Corkins
portfolio manager

Janus Aspen Growth and Income Portfolio declined 13.37% for its Institutional Shares and 13.58% for its Service Shares for the fiscal year ended December 31, 2001, while its benchmark, the S&P 500 Index, fell 11.88%.(1) As of December 31, 2001, the Portfolio placed in the top quartile of its peer group, ranking 11 out of 148 large-cap growth funds for the one-year period as tracked by Lipper, Inc., a leading mutual fund rating company.(2)

The past year has been challenging for investors, as markets were roiled by an economic downturn in the United States, a rash of corporate earnings disappointments and the ongoing correction in technology valuations. Compounding these pressures were the tragic events of September 11, which left investors in shock and cast a shadow of uncertainty over markets worldwide. Responding to this environment, the Federal Reserve reduced interest rates 11 times, taking the federal funds rate to its lowest level in more than four decades. These rate cuts helped rejuvenate consumer confidence and raise hopes for an improved economic outlook in 2002.

We are disappointed that we must report a loss to our shareholders. Nonetheless, we believe that our more defensive posture helped shield our investors from the worst of the volatility. As we look ahead to position the Portfolio for a potential economic rebound, we have made changes incrementally, relying on disciplined analysis rather than swift reaction to market swings. For instance, as interest rates continued to decline in the second half of the year, we took gains on a number of our longer-term, fixed-income holdings. Given the prospects for an improved economy, we felt that the bond market offered fewer marginal opportunities. Consequently, we redeployed assets to take advantage of reduced valuations in the stock market.

On the equity side, we maintained a diversified portfolio to ensure that no single position or industry could have a disproportionate effect on performance. At the same time, we continued to rely on a core of long-time holdings that have earned our confidence through their execution and profitability. These are blue-chip companies with proven management teams and established market positions.

One standout was global financial services powerhouse Citigroup. With its diverse product base and global reach, Citigroup is positioned for continued growth as it taps underserved markets for credit cards, insurance and underwriting. In August, Citigroup completed its purchase of Mexico's Grupo Financiero Banamex-Accival, or Banacci, one of the leading commercial banks in Mexico. This acquisition will help it leverage its technology and marketing prowess to capitalize on Banacci's huge market share.

Another stock that provided us with stability was PepsiCo, parent of the Pepsi Cola, Frito-Lay and Tropicana brands. The company continues to reap synergies in the distribution of its many products. Moreover, its recent acquisition of Quaker Oats, including the powerful Gatorade brand, offers the opportunity to further boost incremental margins. Meanwhile, Anheuser-Busch, the world's largest brewer, benefited from its leading brand name and dominant market share, which helped it sustain price increases and double-digit earnings growth even in a lackluster economy.

Detracting from our results was disappointing performance by American International Group, a multi-line insurance company, which sold off sharply in the third quarter after suffering roughly $800 million in losses stemming from the terrorist attacks. Despite this setback, the insurance company's solid capitalization, broad and profitable product lines and high credit rating continue to win our confidence.

Additionally, several of our energy positions, including ExxonMobil, declined on concerns that oil prices would continue to sag due to weaker global demand and the failure by oil-producing nations to coordinate production cutbacks. Even so, we felt that the drop in Exxon's stock was overstated. With its strong business platform and ample cash flow, the company has already proven its ability to weather economic and oil-demand cycles. Furthermore, we believe that the stock will continue to benefit from the synergies created by Exxon's acquisition of Mobil, a merger that strengthens Exxon's already-powerful leverage with suppliers and customers.

Going forward, we remain cautiously optimistic on prospects for a recovery in 2002, as interest rate cuts, increased government spending and lower oil prices take hold. At the same time, our concerns over lingering uncertainties will lead us to maintain a relatively conservative approach that focuses on a diverse group of companies that have proven their worth time and again. We believe this is the best way to balance near-term risk with longer-term opportunity.

Thank you for investing in Janus Aspen Growth and Income Portfolio.

Portfolio Asset Mix (% of Net Assets)	*December 31, 2001*	*December 31, 2000*
Equities	84.3%	76.2%
Top 10 Equities	27.2%	27.2%
Number of Stocks	74	79
Fixed Income Securities	6.9%	8.8%
Cash and Cash Equivalents	8.8%	15.0%

(1) All returns include reinvested dividends and capital gains.

(2) Lipper, Inc. is a nationally recognized organization that ranks the performance of mutual funds within a universe of funds that have similar investment objectives. Rankings are historical and are based on total return with capital gains and dividends reinvested.

Past performance does not guarantee future results.

There is no assurance that the investment process will consistently lead to successful investing.

Average Annual Total Return

For the Periods Ended December 31, 2001

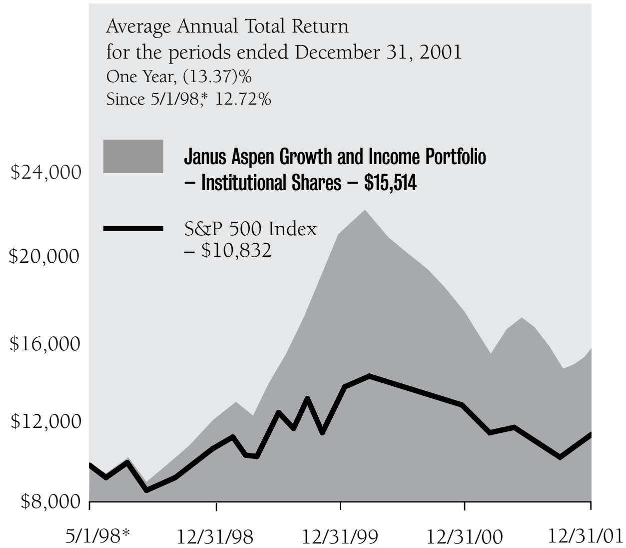
Institutional Shares (Inception Date 5/1/98)	
1 Year	(13.37)%
From Inception	12.72%
S&P 500 Index	
1 Year	(11.88)%
From Inception of Institutional Shares	2.20%
Service Shares (Inception Date 12/31/99)	
1 Year	(13.58)%
From Portfolio Inception	12.44%

Returns shown for Service Shares for periods prior to their inception are derived from the historical performance of Institutional Shares, adjusted to reflect the higher operating expenses of Service Shares.

Due to market volatility, current performance may be higher or lower than the figures shown. Call 1-800-504-4440 or visit janus.com for more current performance information.

Past performance is no guarantee of future results and investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Total return includes reinvestment of dividends and capital gains.

Performance Overview



*The Portfolio's inception date.
Source – Lipper, Inc. 2001.
See "Explanations of Charts and Tables."

Standard & Poor's is a corporation that rates stocks and corporate and municipal bonds according to risk profiles. The S&P 500 is an index of 500 major, large-cap US corporations. The Portfolio may differ significantly from the securities held in the index. The index is not available for direct investment; therefore its performance does not reflect the expenses associated with the active management of an actual portfolio.

These returns do not reflect the charges and expenses of any particular insurance product or qualified plan.

Schedule of Investments

Shares or Principal Amount		*Market Value*
Common Stock – 82.0%		
Applications Software – 2.3%		
61,845	Microsoft Corp.*	$4,098,468
Automotive – Cars and Light Trucks – 0.7%		
33,315	BMW A.G.	1,173,167
Automotive – Truck Parts and Equipment – 1.0%		
134,590	Delphi Automotive Systems Corp.	1,838,499
Beverages – Non-Alcoholic – 2.9%		
102,240	Coca-Cola Enterprises, Inc.	1,936,426
65,111	PepsiCo, Inc.	3,170,255
		5,106,681
Brewery – 1.4%		
54,958	Anheuser-Busch Companies, Inc.	2,484,651
Broadcast Services and Programming – 3.3%		
18,120	Clear Channel Communications, Inc.*	922,489
349,238	Liberty Media Corp. – Class A*	4,889,332
		5,811,821
Cable Television – 4.5%		
124,438	Comcast Corp. – Special Class A*	4,479,768
61,456	Cox Communications, Inc. – Class A*	2,575,621
36,830	USA Networks, Inc.*	1,005,827
		8,061,216
Casino Hotels – 0.7%		
136,380	Park Place Entertainment Corp.*	1,250,605
Cellular Telecommunications – 1.4%		
172,235	AT&T Wireless Services, Inc.*	2,475,017
Chemicals – Diversified – 2.0%		
67,013	E.I. du Pont de Nemours and Co.	$ 2,848,723
53,140	Solutia, Inc.	745,023
		3,593,746
Commercial Services – 0.2%		
9,522	Arbitron, Inc.*	325,176
Commercial Services – Financial – 0.9%		
47,002	Paychex, Inc.	1,638,020
Computer Services – 0.8%		
72,570	Ceridian Corp.*	1,360,687
Computers – 1.1%		
88,730	Apple Computer, Inc.*	1,943,187
Cosmetics and Toiletries – 1.1%		
23,945	Procter & Gamble Co.	1,894,768
Diversified Financial Services – 4.5%		
159,660	Citigroup, Inc.	8,059,637
Diversified Operations – 6.2%		
97,593	General Electric Co.	3,911,527
89,115	Honeywell International, Inc.	3,013,869
10,185	Minnesota Mining and Manufacturing Co.	1,203,969
49,270	Tyco International, Ltd.	2,902,003
		11,031,368
Electric – Integrated – 0.9%		
41,450	Duke Energy Corp.	1,627,327
Electronic Components – Semiconductors – 0.7%		
74,330	Advanced Micro Devices, Inc.*	1,178,874

See Notes to Schedules of Investments.

Janus Aspen Growth and Income Portfolio

Schedule of Investments

Shares or Principal Amount		Market Value
Engineering – Research and Development – 1.1%		
50,210	Fluor Corp.	$ 1,877,854
Entertainment Software – 0.5%		
15,445	Electronic Arts, Inc.*	925,928
Finance – Consumer Loans – 1.5%		
46,045	Household International, Inc.	2,667,847
Finance – Investment Bankers/Brokers – 1.9%		
22,055	Goldman Sachs Group, Inc.	2,045,601
25,905	Merrill Lynch & Company, Inc.	1,350,169
		3,395,770
Financial Guarantee Insurance – 0.7%		
20,515	MGIC Investment Corp.	1,266,186
Food – Retail – 0.2%		
17,375	Kroger Co.*	362,616
Hotels and Motels – 0.4%		
28,057	Fairmont Hotels and Resorts, Inc. – New York Shares	670,562
Insurance Brokers – 3.1%		
39,645	Aon Corp.	1,408,190
34,094	Marsh & McLennan Companies, Inc.	3,663,400
20,200	Willis Group Holdings, Ltd.*	475,710
		5,547,300
Internet Brokers – 0.7%		
77,991	Charles Schwab Corp.	1,206,521
Internet Security – 0.4%		
19,966	VeriSign, Inc.*	759,507
Life and Health Insurance – 1.8%		
11,960	CIGNA Corp.	1,108,094
42,329	John Hancock Financial Services, Inc.	1,748,188
16,910	Principal Financial Group, Inc.*	405,840
		3,262,122
Medical – Drugs – 5.2%		
25,337	Allergan, Inc.	1,901,542
47,305	American Home Products Corp.	2,902,635
112,535	Pfizer, Inc.	4,484,520
		9,288,697
Medical Instruments – 1.5%		
51,664	Medtronic, Inc.	2,645,713
Money Center Banks – 2.1%		
16,440	Bank of America Corp.	1,034,898
72,325	J.P. Morgan Chase & Co.	2,629,014
		3,663,912
Motorcycle and Motor Scooter Manufacturing – 0.6%		
19,568	Harley-Davidson, Inc.	1,062,738
Multi-Line Insurance – 5.6%		
77,855	American International Group, Inc.	6,181,687
45,391	Assicurazioni Generali	1,260,141
22,625	PartnerRe, Ltd.	1,221,750
42,410	Prudential Financial, Inc.*	1,407,588
		10,071,166
Multimedia – 3.3%		
38,860	AOL Time Warner, Inc.*	1,247,406
84,284	Viacom, Inc. – Class B*	3,721,139
44,805	Walt Disney Co.	928,360
		5,896,905

Shares or Principal Amount		Market Value
Oil Companies – Exploration and Production – 0.8%		
36,620	Burlington Resources, Inc.	$ 1,374,715
Oil Companies – Integrated – 4.1%		
39,220	Conoco, Inc.	1,109,926
116,580	Exxon Mobil Corp.	4,581,594
58,704	PanCanadian Energy Corp. – New York Shares	1,526,304
		7,217,824
Pipelines – 0.8%		
10,973	El Paso Corp.	489,505
17,891	Kinder Morgan, Inc.	996,350
		1,485,855
Printing – Commercial – 0.5%		
25,946	Valassis Communications, Inc.*	924,196
Reinsurance – 1.2%		
875	Berkshire Hathaway, Inc. – Class B*	2,209,375
Semiconductor Components/Integrated Circuits – 2.6%		
35,640	Linear Technology Corp.	1,391,386
60,119	Maxim Integrated Products, Inc.*	3,156,849
		4,548,235
Super-Regional Banks – 2.2%		
185,775	U.S. Bancorp	3,888,271
Telecommunication Equipment – 1.0%		
74,615	Nokia Oyj (ADR)	1,830,306
Telephone – Integrated – 0.7%		
93,664	Telefonica S.A.*	1,253,445
Toys – 0.8%		
83,540	Mattel, Inc.	1,436,888
Transportation – Railroad – 0.1%		
7,640	Fording, Inc. – New York Shares	136,527
Total Common Stock (cost $147,213,267)		145,829,896
Corporate Bonds – 2.4%		
Cellular Telecommunications – 0%		
$ 58,000	VoiceStream Wireless Corp., 10.375% senior notes, due 11/15/09	65,830
Finance – Investment Bankers/Brokers – 0.4%		
	Merrill Lynch & Company, Inc.:	
445,000	6.80%, notes, due 11/3/03	468,919
200,000	6.15%, notes, due 1/26/06	207,000
		675,919
Oil Companies – Exploration and Production – 0.1%		
363,000	Devon Energy Corp., 0% convertible debentures, due 6/27/20	162,442
Retail – Discount – 1.0%		
1,655,000	Wal-Mart Stores, Inc., 4.375% notes, due 8/1/03	1,683,962
Telephone – Integrated – 0.1%		
185,000	CenturyTel, Inc., 8.375% notes, due 10/15/10	195,406
111,000	NTL, Inc., 7.00% convertible subordinated notes, due 12/15/08	10,406
		205,812

See Notes to Schedules of Investments.

Shares or Principal Amount		Market Value
Toys – 0.2%		
	Mattel, Inc.:	
$ 140,000	6.00%, notes, due 7/15/03	$ 138,425
250,000	6.125%, notes, due 7/15/05	242,187
		380,612
Transportation – Railroad – 0.2%		
365,000	Wisconsin Central Transportation Corp. 6.625%, notes, due 4/15/08	372,300
Wireless Equipment – 0.4%		
1,312,000	American Tower Corp., 5.00% convertible notes, due 2/15/10†	782,280
Total Corporate Bonds (cost $4,798,037)		4,329,157
Preferred Stock – 2.3%		
Automotive – Cars and Light Trucks – 1.3%		
5,947	Porsche A.G.	2,271,583
Electric – Integrated – 1.0%		
35,996	Reliant Energy, Inc., convertible, 2.00% (AOL Time Warner, Inc.)	1,835,796
Total Preferred Stock (cost $4,383,680)		4,107,379
U.S. Government Obligations – 4.5%		
	U.S. Treasury Notes:	
$3,765,000	5.25%, due 8/15/03	3,915,600
3,880,000	5.25%, due 5/15/04	4,045,482
Total U.S. Government Obligations (cost $7,687,771)		7,961,082
Repurchase Agreement – 3.8%		
6,600,000	ABN AMRO Bank N.V., 1.80% dated 12/31/01, maturing 1/2/02 to be repurchased at $6,600,660 collateralized by $9,344,060 in Collateralized Mortgage Obligations 2.28%-7.135%, 11/25/20-12/25/40 AAA, $26,194 in U.S. Treasury Notes/Bonds, 0%, 2/15/18 with respective values of $6,722,160 and $9,840 (cost $6,600,000)	6,600,000
U.S. Government Agencies – 5.6%		
	Federal Home Loan Bank System:	
5,000,000	1.83%, 1/11/02	4,997,458
5,000,000	1.65%, 1/31/02	4,993,125
Total U.S. Government Agencies (amortized cost $9,990,583)		9,990,583
Total Investments (total cost $180,673,338) – 100.6%		178,818,097
Liabilities, net of Cash, Receivables and Other Assets – (0.6%)		(1,005,471)
Net Assets – 100%		$177,812,626

Summary of Investments by Country, December 31, 2001

Country	% of Investment Securities	Market Value
Bermuda	2.3%	$ 4,123,753
Canada	1.3%	2,333,393
Finland	1.0%	1,830,306
Germany	2.0%	3,444,750
Italy	0.7%	1,260,141
Spain	0.7%	1,253,445
United States††	92.0%	164,572,309
Total	100.0%	$178,818,097

††Includes Short-Term Securities (82.8% excluding Short-Term Securities)

See Notes to Schedules of Investments.

Statement of Assets and Liabilities

As of December 31, 2001 *(all numbers in thousands except net asset value per share)*	*Janus Aspen Growth and Income Portfolio*
Assets:	
Investments at cost	$ 180,673
Investments at value:	$ 178,818
Cash	45
Receivables:	
Investments sold	46
Portfolio shares sold	171
Dividends	119
Interest	188
Other assets	1
Total Assets	179,388
Liabilities:	
Payables:	
Investments purchased	1,205
Portfolio shares repurchased	234
Advisory fees	97
Accrued expenses	39
Total Liabilities	1,575
Net Assets	$177,813
Net Assets – Institutional Shares	$ 92,659
Shares Outstanding, $0.001 Par Value (unlimited shares authorized)	6,230
Net Asset Value Per Share	$ 14.87
Net Assets – Service Shares	$ 85,154
Shares Outstanding, $0.001 Par Value (unlimited shares authorized)	5,726
Net Asset Value Per Share	$ 14.87

See Notes to Financial Statements.

Statement of Operations

For the fiscal year ended December 31, 2001 *(all numbers in thousands)*	*Janus Aspen Growth and Income Portfolio*
Investment Income:	
Interest	$ 1,857
Dividends	1,514
Foreign tax withheld	(14)
Total Investment Income	3,357
Expenses:	
Advisory fees	1,163
Transfer agent expenses	3
Registration fees	1
System fees	13
Custodian fees	47
Insurance expense	2
Audit fees	15
Distribution fees – Service Shares	184
Other expenses	5
Total Expenses	1,433
Expense and Fee Offsets	(2)
Net Expenses	1,431
Excess Expense Reimbursement	—
Net Expenses After Reimbursement	1,431
Net Investment Income/(Loss)	1,926
Net Realized and Unrealized Gain/(Loss) on Investments:	
Net realized gain/(loss) from securities transactions	(28,734)
Net realized gain/(loss) from foreign currency translations	(1)
Change in net unrealized appreciation/(depreciation) of investments and foreign currency translations	(312)
Net Realized and Unrealized Gain/(Loss) on Investments and foreign currency translations	(29,047)
Net Increase/(Decrease) in Net Assets Resulting from Operations	$(27,121)

See Notes to Financial Statements.

Statement of Changes in Net Assets

For the fiscal year ended December 31 (all numbers in thousands)	Janus Aspen Growth and Income Portfolio 2001	 2000
Operations:		
Net investment income/(loss)	$ 1,926	$ 1,504
Net realized gain/(loss) from investment transactions and foreign currency translations	(28,735)	(4,264)
Change in unrealized net appreciation/(depreciation) of investments and foreign currency translations	(312)	(25,126)
Net Increase/(Decrease) in Net Assets Resulting from Operations	(27,121)	(27,886)
Dividends and Distributions to Shareholders:		
Net investment income*	(2,121)	(1,255)
Net realized gain from investment transactions*	—	(2,330)
Tax Return of Capital*	—	—
Net Decrease from Dividends and Distributions	(2,121)	(3,585)
Capital Share Transactions:		
Shares sold		
Institutional Shares	6,926	74,754
Retirement Shares	—	15,655
Service Shares	56,233	59,784
Reinvested dividends and distributions		
Institutional Shares	1,432	3,199
Retirement Shares	—	237
Service Shares	689	148
Shares repurchased		
Institutional Shares	(21,655)	(14,889)
Retirement Shares	—	(1,929)
Service Shares	(14,594)	(1,032)
Shares transferred – Retirement Shares(2)	N/A	(17,894)
Net Increase/(Decrease) from Capital Share Transactions	29,031	118,033
Net Increase/(Decrease) in Net Assets	(211)	86,352
Net Assets:		
Beginning of period	178,024	91,462
End of period	$ 177,813	$178,024
Net Assets Consist of:		
Capital (par value and paid-in surplus)*	$ 212,637	$183,607
Undistributed net investment income/(loss)*	84	279
Undistributed net realized gain/(loss) from investments*	(33,052)	(4,318)
Unrealized appreciation/(depreciation) of investments and foreign currency translations	(1,856)	(1,544)
Total Net Assets	$ 177,813	$178,024
Transactions in Portfolio Shares – Institutional Shares		
Shares sold	438	3,626
Reinvested dividends and distributions	92	167
Total	530	3,793
Shares Repurchased	(1,411)	(749)
Net Increase/(Decrease) in Portfolio Shares	(881)	3,044
Shares Outstanding, Beginning of Period	7,111	4,067
Shares Outstanding, End of Period	6,230	7,111
Transactions in Portfolio Shares – Retirement Shares(1)		
Shares sold	N/A	670,648
Reinvested dividends and distributions	N/A	12,309
Total	N/A	682,957
Shares Repurchased	N/A	(92,538)
Shares Transferred(2)	N/A	(928,105)
Net Increase/(Decrease) in Portfolio Shares	N/A	(337,686)
Shares Outstanding Beginning of Period	N/A	337,686
Shares Outstanding End of Period	N/A	—
Transactions in Portfolio Shares – Service Shares(1)		
Shares sold	3,516,345	3,170,558
Reinvested dividends and distributions	44,389	8,192
Total	3,560,734	3,178,750
Shares Repurchased	(958,747)	(54,597)
Net Increase/(Decrease) in Portfolio Shares	2,601,987	3,124,153
Shares Outstanding, Beginning of Period	3,124,153	—
Shares Outstanding, End of Period	5,726,140	3,124,153
Purchases and Sales of Investment Securities: (excluding short-term securities)		
Purchases of securities	$ 115,281	$156,034
Proceeds from sales of securities	77,413	43,629
Purchases of long-term U.S. government obligations	5,900	5,674
Proceeds from sales of long-term U.S. government obligations	4,006	—

*See Note 3 in Notes to Financial Statements.
(1) Transactions in Portfolio Shares – Retirement and Service Shares numbers are not in thousands.

(2) A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. All Capital and Shares were transferred to the corresponding fund of the newly formed Janus Adviser Series. See Note 1 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial Highlights – Institutional Shares

For a share outstanding during the fiscal year or period ended December 31	*Janus Aspen Growth and Income Portfolio* 2001	2000	1999	1998[(2)]
Net Asset Value, Beginning of Period	$17.41	$20.77	$11.96	$10.00
Income from Investment Operations:				
Net investment income/(loss)	.20	.19	.04	.02
Net gain/(loss) on securities (both realized and unrealized)	(2.52)	(3.08)	8.81	1.96
Total from Investment Operations	(2.32)	(2.89)	8.85	1.98
Less Distributions:				
Dividends (from net investment income)*	(.22)	(.16)	(.04)	(.02)
Distributions (from capital gains)*	—	(.31)	—	—
Total Distributions	(.22)	(.47)	(.04)	(.02)
Net Asset Value, End of Period	$14.87	$17.41	$20.77	$11.96
Total Return**	(13.37)%	(14.10)%	74.04%	19.80%
Net Assets, End of Period (in thousands)	$ 92,659	$123,812	$84,480	$6,413
Average Net Assets for the Period (in thousands)	$105,243	$124,282	$28,838	$2,883
Ratio of Gross Expenses to Average Net Assets***[(1)]	0.70%	0.78%	1.06%	1.25%
Ratio of Net Expenses to Average Net Assets***[(1)]	0.70%	0.78%	1.05%	1.25%
Ratio of Net Investment Income to Average Net Assets***	1.19%	1.07%	0.56%	0.66%
Portfolio Turnover Rate***	52%	37%	59%	62%

*See Note 3 in Notes to Financial Statements.
**Total return not annualized for periods of less than one full year.
***Annualized for periods of less than one full year.
(1) See Note 5 in Notes to Financial Statements.
(2) Period May 1, 1998 (inception) to December 31, 1998.

See Notes to Financial Statements.

Financial Highlights – Service Shares

For a share outstanding during the fiscal year ended December 31	*Janus Aspen Growth and Income Portfolio* 2001	2000
Net Asset Value, Beginning of Period	$17.35	$20.63
Income from Investment Operations:		
Net investment income/(loss)	.12	.07
Net gain/(loss) on securities (both realized and unrealized)	(2.47)	(2.99)
Total from Investment Operations	(2.35)	(2.92)
Less Distributions:		
Dividends (from net investment income)*	(.13)	(.05)
Distributions (from capital gains)*	—	(.31)
Tax return of capital*	—	—
Total Distributions	(.13)	(.36)
Net Asset Value, End of Period	$14.87	$17.35
Total Return	(13.58)%	(14.31)%
Net Assets, End of Period (in thousands)	$85,154	$54,212
Average Net Assets for the Period (in thousands)	$73,705	$12,868
Ratio of Gross Expenses to Average Net Assets(1)	0.95%	1.11%
Ratio of Net Expenses to Average Net Assets(1)	0.95%	1.10%
Ratio of Net Investment Income/(Loss) to Average Net Assets	0.91%	1.20%
Portfolio Turnover Rate	52%	37%

*See Note 3 in Notes to Financial Statements.
(1) See Note 5 in Notes to Financial Statements.

See Notes to Financial Statements.

Notes to Schedule of Investments

ADR American Depository Receipt

GDR Global Depository Receipt

*Non-income producing security

**A portion of this security has been segregated by the custodian to cover margin or segregation requirements on open futures contracts, forward currency contracts and/or swap spread lock agreements.

† Securities are exempt from the registration requirements of the Securities Act of 1933 and/or Section 4 (2) of the Securities Act and may be deemed to be restricted for resale.

Ω Rate is subject to change. Rate shown reflects current rate.

Δ Security is a defaulted security in Aspen Global Technology Portfolio and Aspen Flexible Income Portfolio with interest in the amount of $40,000 and $39,840, respectively, that was written-off December 10, 2001.

§ Restricted and/or Illiquid Securities are valued at fair value determined in good faith under procedures established by and under the supervision of the Trustees.

Variable Rate Notes. The interest rate, which is based on specific, or an index of, market interest rates, is subject to change. Rates in the security description are as of December 31, 2001.

Money market funds may hold securities with stated maturities of greater than 397 days when those securities have features that allow a fund to "put" back the security to the issuer or to a third party within 397 days of acquisition. The maturity dates shown in the security descriptions are the stated maturity dates.

Repurchase Agreements held by a Portfolio are fully collateralized, and such collateral is in the possession of the Portfolio's custodian or subcustodian. The collateral is evaluated daily to ensure its market value equals or exceeds the current market value of the repurchase agreements including accrued interest. In the event of default on the obligation to repurchase, the Portfolio has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

Notes to Financial Statements

The following section describes the organization and significant accounting policies of the Portfolios and provides more detailed information about the schedules and tables that appear throughout this report. In addition, the Notes explain how the Portfolios operate and the methods used in preparing and presenting this report.

1. Organization and significant accounting policies

Janus Aspen Series (the "Trust") was organized as a Delaware Trust on May 20, 1993, and is registered under the Investment Company Act of 1940 (the "1940 Act") as a no-load, open-end management investment company. The Trust offers fourteen Portfolios or series of shares with differing investment objectives and policies. Twelve Portfolios invest primarily in equity securities: Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Core Equity Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Growth and Income Portfolio, Janus Aspen Strategic Value Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Global Life Sciences Portfolio, Janus Aspen Global Technology Portfolio and Janus Aspen Global Value Portfolio. One Portfolio invests primarily in income-producing securities: Janus Aspen Flexible Income Portfolio. Janus Aspen Money Market Portfolio invests in short-term money market securities. Each Portfolio is diversified as defined in the 1940 Act, with the exception of the Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Global Life Sciences Portfolio, Janus Aspen Global Technology Portfolio, Janus Aspen Strategic Value Portfolio and Janus Aspen Global Value Portfolio, which are nondiversified.

Institutional Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively "variable insurance contracts"), as well as certain qualified retirement plans. Effective May 1, 1997, the Trust issued the Retirement Shares. Retirement Shares of the Trust were issued and redeemed only in connection with certain qualified retirement plans.

Effective December 31, 1999, the Trust issued a new class of shares, the Service Shares. Service Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively "variable insurance contracts"), as well as certain qualified retirement plans.

Janus Aspen Global Value Portfolio began operations on May 1, 2001. The Portfolio offers the Service Shares only and Janus Capital Corporation ("Janus Capital") invested $2,000,000 of initial seed capital.

Janus Aspen High-Yield Portfolio was liquidated on October 26, 2001. Regulatory approvals were obtained to substitute shares of the Janus Aspen Flexible Income Portfolio for shares of the Janus Aspen High-Yield Portfolio. 60,319 shares in the amount of $731,670 were exchanged into Janus Aspen Flexible Income Portfolio as a result of the substitution.

Effective December 31, 2001, the Trust issued a new class of shares, the Service II Shares in the Janus Aspen International Growth, Janus Aspen Worldwide Growth, and Janus Aspen Global Technology Portfolios. Janus Capital invested $10,000 of initial seed capital in each Portfolio of the Service II Shares, which is not reflected in the financial statements.

A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. Each of the reorganized Portfolios of Janus Aspen Series allocated a pro rata share (percentage of the Retirement Shares to the total Portfolio) of each security position to the corresponding Fund of the newly formed Janus Adviser Series except for securities that were subject to restrictions on resale or transfer, such as private placement securities. Each pro rata share was rounded to eliminate fractional shares and odd lots of securities. Janus Capital, the investment adviser of both Janus Aspen Series and Janus Adviser Series, has agreed to limit expenses of the Funds formed from this reorganization so that they will not increase before July 31, 2003. Specifically, Janus Capital will limit the expenses of each of the new Funds (excluding brokerage commissions, interest, taxes and extraordinary expenses) to the expense ratio of the corresponding Janus Aspen Series Portfolio set forth in the May 1, 2000, Janus Aspen Series Prospectus. These limitations will stay in place until at least July 31, 2003. In addition, Janus Capital paid all the fees associated with the reorganization.

The following accounting policies have been consistently followed by the Trust and are in conformity with accounting principles generally accepted in the investment company industry in the United States of America.

Investment Valuation

Securities are valued at the closing price for securities traded on a principal securities exchange (U.S. or foreign) and on the NASDAQ National Market. Securities traded on over-the-counter markets and listed securities for which no sales are reported are valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers making a market for such securities or by a pricing service approved by the Trustees. Short-term investments maturing within 60 days and all money market securities in the Money Market Portfolio are valued at amortized cost, which approximates market value. Foreign securities are converted to U.S. dollars using exchange rates at the close of the New York Stock Exchange. When market quotations are not readily available, securities are valued at fair value as determined in good faith under procedures established by and under the supervision of the Portfolios' Trustees.

Investment Transactions and Investment Income

Investment transactions are accounted for as of the date purchased or sold. Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Trust is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Interest income is recorded on the accrual basis and includes amortization of discounts and premiums. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income and gains and losses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

Forward Currency Transactions and Futures Contracts

The Portfolios enter into forward currency contracts in order to hedge their exposure to changes in foreign currency exchange rates on their foreign portfolio holdings and to lock in the U.S. dollar cost of firm purchase and sales commitments denominated in foreign currencies. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the U.S. dollar cost of the original contract and the value of the foreign currency in U.S. dollars upon closing such a contract is included in net realized gain or loss on foreign currency transactions.

Forward currency contracts held by the Portfolios are fully collateralized by other securities, in possession at the Portfolio's custodian, which are denoted in the accompanying Schedule of Investments. The market value of these securities is evaluated daily to ensure that it is equal to or exceeds the current market value of the corresponding forward currency contract.

Currency gain and loss are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to security transactions and income.

The Portfolios do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at fiscal year-end. Net unrealized appreciation or depreciation on investments and foreign currency translation arise from changes in the value of assets and liabilities, including investments in securities at fiscal year end, resulting from changes in the exchange rates and changes in market prices of securities held.

The Portfolios may enter into futures contracts and options on securities, financial indices and foreign currencies, forward contracts and interest-rate swaps and swap-related products. The Portfolios intend to use such derivative instruments primarily to hedge or protect from adverse movements in securities prices, currency rates or interest rates. The use of futures contracts and options may involve risks such as the possibility of illiquid markets or imperfect correlation between the value of the contracts and the underlying securities or that the counterparty will fail to perform its obligations.

Futures contracts are marked to market daily, and the variation margin is recorded as an unrealized gain or loss. When a contract is closed, a realized gain or loss is recorded equal to the difference between the opening and closing value of the contract. Generally, open forward and futures contracts are marked to market (i.e., treated as realized and subject to distribution) for federal income tax purposes at fiscal year-end.

Foreign-denominated assets and forward currency contracts may involve more risks than domestic transactions, including: currency risk, political and economic risk, regulatory risk and market risk. Risks may arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was effective for fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133," delaying by one year the effective date of SFAS No. 133. The effective date for the Portfolios was January 1, 2001. In June 2000, the FASB issued No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," an amendment of SFAS No. 133. SFAS 133, as amended, may affect the accounting treatment of the Portfolios' derivative instruments and related assets. The Portfolios have adopted this new standard and have determined that the impact on the Financial Statements is insignificant.

In November 2000, a revised AICPA Audit and Accounting Guide, *Audits of Investment Companies,* was issued, and is effective for fiscal years beginning after December 15, 2000. The Portfolios have adopted this new Guide and have determined that the impact on the Financial Statements is insignificant.

Initial Public Offerings

The Portfolios may invest in initial public offerings (IPOs). IPOs and other investment techniques may have a magnified performance impact on a portfolio with a small asset base. The Portfolios may not experience similar performance as their assets grow.

Additional Investment Risk

A portion of the Flexible Income Portfolio may be invested in lower-rated debt securities that have a higher risk of default or loss of value because of changes in the economy or in their respective industry.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Security Transactions

Restricted securities held by a Portfolio may not be sold except in exempt transactions or in a public offering registered under the Securities Act of 1933. The risk of investing in such securities is generally greater than the risk of investing in the securities of widely held, publicly traded companies. Lack of a secondary market and resale restrictions may result in the inability of a Portfolio to sell a security at a fair price and may substantially delay the sale of the security which each portfolio seeks to sell. In addition, these securities may exhibit greater price volatility than securities for which secondary markets exist.

Dividend Distributions and Expenses

Each Portfolio, except the Money Market Portfolio, makes at least semiannual distributions of substantially all of its investment income and at least an annual distribution of its net realized capital gains, if any. Dividends are declared daily and distributed monthly for the Money Market Portfolio. The majority of dividends and capital gains distributions from a Portfolio will be automatically reinvested into additional shares of that Portfolio.

Expenses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

Federal Income Taxes

No provision for income taxes is included in the accompanying financial statements as the Portfolios intend to distribute to shareholders all taxable investment income and realized gains and otherwise comply with the Internal Revenue Code applicable to regulated investment companies.

2. Investment Advisory Agreement and Other Transactions with Affiliates

Each equity Portfolio is subject to advisory fees payable to Janus Capital based upon an annual rate of .65% of average net assets. The Flexible Income Portfolio is subject to advisory fees payable to Janus Capital based upon annual rates of .65% of the first $300 million of average net assets plus .55% of average net assets in excess of $300 million. The Money Market Portfolio's advisory fee rate is .25% of average net assets. For additional information on the specific fees for the Service Shares, please refer to Note 4 of the financial statements.

A special meeting of shareholders of Janus Aspen Series will be held on January 31, 2002 to consider and approve new investment advisory agreements for the Portfolios. The new advisory agreements are the same in all material respects as the current advisory agreements. Contingent upon receipt of shareholder approval, the new advisory agreements will be effective upon the termination of Mr. Bailey's contractual right to select a majority of Janus Capital's board of directors, currently anticipated to be on or about March 28, 2002, and will continue in effect until July 1, 2002. Thereafter, each new advisory agreement will continue in effect from year to year so long as such continuance is approved at least annually by a majority of the Portfolios' independent Trustees.

Janus Capital has agreed to reduce its fee to the extent normal operating expenses exceed 1% of the average net assets of the Flexible Income Portfolio and .50% of the average net assets of the Money Market Portfolio for a fiscal year. Janus Capital has also agreed to reduce its fee to the extent that normal operating expenses exceed 1.25% of the average net assets of the Core Equity, Strategic Value, Global Life Sciences, Global Technology and Global Value Portfolios. Janus Capital has agreed to continue these fee waivers and reductions until at least the next annual renewal of the advisory contracts. The distribution fee applicable to the Service Shares is not included in these expense limits.

Officers and certain trustees of the Trust are also officers and/or directors of Janus Capital; however, they receive no compensation from the Trust.

Janus Service Corporation ("Janus Service"), a wholly owned subsidiary of Janus Capital, receives certain out-of-pocket expenses for transfer agent services.

Janus Distributors, Inc., a wholly owned subsidiary of Janus Capital, is a distributor of the Portfolios. The Service Shares have adopted a Distribution and Shareholder Servicing Plan (The "Plan") pursuant to Rule 12b-1 under The 1940 Act. The Plan authorizes payments by the Portfolios in connection with the distribution of the Service Shares at an annual rate, as determined from time to time by the Board of Trustees, of up to .25% of the Service Shares' average daily net assets.

DST Systems, Inc. (DST), an affiliate of Janus Capital through a degree of common ownership, provides accounting systems to the Portfolios. DST Securities, Inc., a wholly owned subsidiary of DST, provides brokerage services on certain portfolio transactions. Brokerage commissions paid to DST Securities, Inc. serve to reduce fees and expenses. Brokerage commissions paid, fees reduced and the net fees paid to DST for the period ended December 31, 2001, are noted below. Effective June 1, 2001, State Street Bank and Trust Company acquired the fund accounting system from DST.

Portfolio	DST Securities, Inc. Commissions Paid*	Portfolio Expense Reduction*	DST Systems Costs
Janus Aspen Growth and Income Portfolio	$763	$572	$9,573

*The difference between commissions paid to DST Securities, Inc. and expenses reduced constitute commissions paid to an unaffiliated clearing broker.

Notes to Financial Statements *(continued)*

3. Federal Income Tax

The tax components of capital shown in the table below represent: (1) distribution requirements the Portfolios must satisfy under the income tax regulations, (2) losses or deductions the Portfolios may be able to offset against income and gains realized in future years, and (3) unrealized appreciation or depreciation of investments for federal income tax purposes.

Accumulated capital losses noted below represent net capital loss carryovers as of December 31, 2001 that may be available to offset future realized capital gains and thereby reduce future taxable gain distributions. These carryovers expire between December 1, 2008 and December 31, 2009.

In 2001, the Portfolios noted below incurred "Post-October" losses during the period from November 1 through December 31, 2001. These losses will be deferred for tax purposes and recognized in 2002.

Other book to tax differences in 2001 primarily consist of foreign currency contract adjustments. The Portfolios have elected to treat gains and losses on forward foreign currency contracts as capital gains and losses. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code.

Portfolio	*Undistributed Ordinary Income*	*Undistributed Long-Term Gains*	*Accumulated Capital Losses*	*Post-October Deferral*	*Other Book to Tax Differences*	*Net Tax Appreciation/ (Depreciation)*
Janus Aspen Growth and Income Portfolio	$84,334	—	$(24,326,987)	$(8,211,380)	$(1,116)	$(2,369,216)

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investments for federal income tax purposes as of December 31, 2001 are noted below. Unrealized appreciation and unrealized depreciation in the table below exclude appreciation/ depreciation on foreign currency translations. The primary difference between book and tax appreciation or depreciation of investments is wash sale loss deferrals.

Portfolio	*Federal Tax Cost*	*Unrealized Appreciation*	*Unrealized (Depreciation)*
Janus Aspen Growth and Income Portfolio	$181,186,556	$13,252,569	$(15,621,028)

Income and capital gains distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as net short-term gains, deferral of wash sale losses, foreign currency transactions, net investment losses and capital loss carryovers. Certain permanent differences such as tax returns of capital and net investment losses noted below have been reclassified to paid-in capital.

	Distributions			
Portfolio	*From Ordinary Income*	*From Long-Term Capital Gains*	*Tax Return of Capital*	*Net Investment Loss*
Janus Aspen Growth and Income Portfolio	$2,121,080	—	—	—

4. Expenses

The Portfolios' expenses may be reduced through expense-reduction arrangements. Those arrangements include the use of broker commissions paid to DST Securities, Inc. and uninvested cash balances earning interest with the Portfolios' custodian. The Statements of Operations reflect the total expenses before any offset, the amount of the offset and the net expenses. The expense ratios listed in the Financial Highlights reflect expenses prior to any expense offset (gross expense ratio) and after expense offsets (net expense ratio). Both expense ratios reflect expenses after waivers.

Janus Aspen Series Service Shares incur a pro rata share of operating expenses. In addition, the Service Shares pay a distribution fee of up to .25% of average net assets.

5. Expense Ratios

Listed below are the gross expense ratios for the various Portfolios that would be in effect, absent the waiver of certain fees, and offsets.

	Institutional Shares					*Service Shares*	
Portfolio	*2001*	*2000*	*1999*	*1998*	*1997*	*2001*	*2000*
Janus Aspen Growth and Income Portfolio	0.70%	0.78%	1.15%	3.06%(1)	N/A	0.95%	1.11%

(1) Period May 1, 1998 (inception) to December 31, 1998.

Explanations of Charts, Tables and Financial Statements *(unaudited)*

1. Performance Overviews

Performance overview graphs on the previous pages compare the performance of a $10,000 investment in each Portfolio (from inception) with one or more widely used market indices through December 31, 2001.

When comparing the performance of a Portfolio with an index, keep in mind that market indices do not include brokerage commissions that would be incurred if you purchased the individual securities in the index. They also do not include taxes payable on dividends and interest or operating expenses incurred if you maintained a Portfolio invested in the index.

Average annual total returns are also quoted for each class of the Portfolio. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period.

2. Schedules of Investments

Following the performance overview section is each Portfolio's Schedule of Investments. This schedule reports the industry concentrations and types of securities held in each Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. government obligations, etc.) and by industry classification (banking, communications, insurance, etc.).

The market value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

Portfolios that invest in foreign securities also provide a summary of investments by country. This summary reports the Portfolio's exposure to different countries by providing the percentage of securities invested in each country.

2a. Forward Currency Contracts

A table listing forward currency contracts follows each Portfolio's Schedule of Investments (if applicable). Forward currency contracts are agreements to deliver or receive a preset amount of currency at a future date. Forward currency contracts are used to hedge against foreign currency risk in the Portfolio's long-term holdings.

The table provides the name of the foreign currency, the settlement date of the contract, the amount of the contract, the value of the currency in U.S. dollars and the amount of unrealized gain or loss. The amount of unrealized gain or loss reflects the change in currency exchange rates from the time the contract was opened to the last day of the reporting period.

3. Statement of Assets and Liabilities

This statement is often referred to as the "balance sheet." It lists the assets and liabilities of the Portfolios on the last day of the reporting period.

The Portfolios' assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on stocks owned and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolios' liabilities include payables for securities purchased but not yet settled, Portfolio shares redeemed but not yet paid and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as forward currency contracts.

The last section of this statement reports the net asset value (NAV) per share on the last day of the reporting period for each class of the Portfolio. The NAV is calculated by dividing the Portfolios' net assets (assets minus liabilities) by the number of shares outstanding.

4. Statement of Operations

This statement details the Portfolios' income, expenses, gains and losses on securities and currency transactions, and appreciation or depreciation of current Portfolio holdings.

The first section in this statement, titled "Investment Income," reports the dividends earned from stocks and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses and expense offsets incurred by the Portfolios, including the advisory fee paid to the investment adviser, transfer agent fees, shareholder servicing expenses, and printing and postage for mailing statements, financial reports and prospectuses.

The last section lists the increase or decrease in the value of securities held in the Portfolios. Portfolios realize a gain (or loss) when they sell their position in a particular security. An unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolios during the period. "Net Realized and Unrealized Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

5. Statement of Changes in Net Assets

This statement reports the increase or decrease in the Portfolios' net assets during the reporting period. Changes in the Portfolios' net assets are attributable to investment operations, dividends, distributions and capital share transactions. This is important to investors because it shows exactly what caused the Portfolios' net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolios' investment performance. The Portfolios' net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends in cash, money is taken out of the Portfolio to pay the distribution. If investors reinvest their dividends, the Portfolios' net assets will not be affected. If you compare each Portfolio's "Net Decrease from Dividends and Distributions" to the "Reinvested dividends and distributions," you'll notice that dividend distributions had little effect on each Portfolio's net assets. This is because the majority of Janus investors reinvest their distributions.

The reinvestment of dividends is included under "Capital Share Transactions." "Capital Shares" refers to the money investors contribute to the Portfolios through purchases or withdrawal via redemptions. Each Portfolio's net assets will increase and decrease in value as investors purchase and redeem shares from a Portfolio.

The section entitled "Net Assets Consist of" breaks down the components of the Portfolios' net assets. Because Portfolios must distribute substantially all earnings, you'll notice that a significant portion of net assets is shareholder capital.

6. Financial Highlights

This schedule provides a per-share breakdown of the components that affect the net asset value (NAV) for current and past reporting periods for each class of the Portfolio. Not only does this table provide you with total return, it also reports total distributions, asset size, expense ratios and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income per share, which comprises dividends and interest income earned on securities held by the Portfolios. Following is the total of gains, realized and unrealized. Dividends and distributions are then subtracted to arrive at the NAV per share at the end of the period.

Also included are the expense ratios, or the percentage of net assets that was used to cover operating expenses during the period. Expense ratios vary across the Portfolios for a number of reasons, including the differences in management fees, average shareholder account size, the frequency of dividend payments and the extent of foreign investments, which entail greater transaction costs.

The Portfolios' expenses may be reduced through expense-reduction arrangements. These arrangements include the use of brokerage commissions, uninvested cash balances earning interest or balance credits. The Statement of Operations reflects total expenses before any such offset, the amount of offset and the net expenses. The expense ratios listed in the Financial Highlights reflect total expenses both prior to any expense offset and after the offsets.

The ratio of net investment income summarizes the income earned divided by the average net assets of a Portfolio during the reporting period. Don't confuse this ratio with a Portfolio's yield. The net investment income ratio is not a true measure of a Portfolio's yield because it doesn't take into account the dividends distributed to the Portfolio's investors.

The next ratio is the portfolio turnover rate, which measures the buying and selling activity in a Portfolio. Portfolio turnover is affected by market conditions, changes in the size of a Portfolio, the nature of the Portfolio's investments and the investment style of the portfolio manager. A 100% rate implies that an amount equal to the value of the entire Portfolio is turned over in a year; a 50% rate means that an amount equal to the value of half the Portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the Portfolio is sold every six months.

Trustees and Officers *(unaudited)*

The following are the Trustees and officers of the Trust, together with a brief description of their principal occupations during the last five years. Each Trustee has served in that capacity since he was originally elected or appointed. In addition, each Trustee is currently a Trustee of two other registered investment companies advised by Janus Capital: Janus Investment Funds and Janus Adviser Series. Collectively, these three registered investment companies consist of 51 series or funds.

The Trustees do not serve a specified term of office. Each Trustee will hold office until the termination of the Trust or his earlier death, resignation, retirement, incapacity, or removal. The retirement age for Trustees is 72. The Funds' Nominating and Governance Committee will consider nominees for the position of Trustee recommended by shareholders.

Trustees

Name, Age and Address	Positions Held with Fund	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Interested Trustee					
Thomas H. Bailey* 100 Fillmore Street Denver, CO 80206 Age 64	President, Chairman and Trustee	5/93-Present	President, Chairman, Chief Executive Officer and Director of Janus Capital. Formerly, Director (1997-2001) of Janus Distributors, Inc.	51	N/A
Independent Trustees					
Dennis B. Mullen 100 Fillmore Street Denver, CO 80206 Age 58	Trustee	9/93-Present	Private Investor. Formerly (1997-1998) Chief Financial Officer – Boston Market Concepts, Boston Chicken, Inc., Golden, CO (a restaurant chain)	51	N/A
James T. Rothe 100 Fillmore Street Denver, CO 80206 Age 58	Trustee	1/97-Present	Distinguished Visiting Professor of Business, Thunderbird (American Graduate School of International Management), Phoenix, AZ, and Professor of Business, University of Colorado, Colorado Springs, CO. Formerly (1988-1999) Principal of Phillips-Smith Retail Group, Colorado Springs, CO (a venture capital firm)	51	Director, Analytical Surveys, Inc.; Director, Optika, Inc.; Director, Neocore Corp.
William D. Stewart 100 Fillmore Street Denver, CO 80206 Age 57	Trustee	9/93-Present	Corporate Vice President and General Manager of MKS Instruments – HPS Products, Boulder, CO (a manufacturer of vacuum fittings and valves)	51	N/A
Martin H. Waldinger 100 Fillmore Street Denver, CO 80206 Age 63	Trustee	9/93-Present	Consultant	51	N/A

*Mr. Bailey is an "interested person" of the Trust by virtue of his positions with Janus Capital.

Trustees and Officers *(continued) (unaudited)*

Officers

Name, Age and Address	Positions Held with Fund	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Laurence J. Chang** 100 Fillmore Street Denver, CO 80206 Age 36	Executive Vice President and Co-Portfolio Manager Worldwide Growth Portfolio	1/00-Present	Vice President of Janus Capital. Formerly, Analyst (1993-1998) for Janus Capital.
David J. Corkins** 100 Fillmore Street Denver, CO 80206 Age 35	Executive Vice President and Portfolio Manager Growth and Income Portfolio	11/97-Present	Vice President of Janus Capital. Formerly, Analyst (1995-1997) for Janus Capital.
David C. Decker** 100 Fillmore Street Denver, CO 80206 Age 35	Executive Vice President and Portfolio Manager Strategic Value Portfolio	12/99-Present	Vice President of Janus Capital.
James P. Goff** 100 Fillmore Street Denver, CO 80206 Age 37	Executive Vice President and Portfolio Manager Aggressive Growth Portfolio	9/93-1/02	Vice President of Janus Capital.
Helen Young Hayes** 100 Fillmore Street Denver, CO 80206 Age 39	Executive Vice President and Co-Portfolio Manager International Growth Portfolio and Worldwide Growth Portfolio	3/94-Present	Vice President and Director of Janus Capital.
C. Mike Lu** 100 Fillmore Street Denver, CO 80206 Age 32	Executive Vice President and Portfolio Manager Global Technology Portfolio	12/99-Present	Vice President of Janus Capital. Formerly, Analyst (1991-1998) for Janus Capital.
Brent A. Lynn** 100 Fillmore Street Denver, CO 80206 Age 37	Executive Vice President and Co-Portfolio Manager International Growth Portfolio	1/01-Present	Vice President of JanusCapital. Formerly, Analyst (1991-2001) for Janus Capital.
Thomas R. Malley** 100 Fillmore Street Denver, CO 80206 Age 33	Executive Vice President and Portfolio Manager Global Life Sciences Portfolio	12/99-Present	Vice President of Janus Capital. Formerly, Analyst (1991-1998) for Janus Capital.
Karen L. Reidy** 100 Fillmore Street Denver, CO 80206 Age 34	Executive Vice President and Portfolio Manager Balanced Portfolio and Core Equity Portfolio	1/00-Present	Vice President of Janus Capital. Formerly, Analyst (1995-1999) of Janus Capital.
Blaine P. Rollins** 100 Fillmore Street Denver, CO 80206 Age 34	Executive Vice President and Portfolio Manager Growth Portfolio	1/00-Present	Vice President of Janus Capital.
Scott W. Schoelzel** 100 Fillmore Street Denver, CO 80206 Age 43	Executive Vice President and Portfolio Manager Capital Appreciation Portfolio	5/97-Present	Vice President of Janus Capital.
Ronald V. Speaker** 100 Fillmore Street Denver, CO 80206 Age 37	Executive Vice President and Portfolio Manager Flexible Income Portfolio	5/93-Present	Vice President of Janus Capital.
J. Eric Thorderson** 100 Fillmore Street Denver, CO 80206 Age 40	Executive Vice President and Portfolio Manager Money Market Portfolio	1/01-Present	Vice President of Janus Capital. Formerly, Senior Analyst (1996-1999) for Janus Capital.

*Officers are elected annually by the Trustees for a one-year term.
**"Interested person" of the Trust by virtue of positions with Janus Capital.

Name, Age and Address	Positions Held with Fund	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Jason P. Yee** 100 Fillmore Street Denver, CO 80206 Age 32	Executive Vice President and Portfolio Manager Global Value Portfolio	3/01-Present	Vice President of Janus Capital. Formerly, Analyst (1992-1997) for Janus Capital.
Thomas A. Early** 100 Fillmore Street Denver, CO 80206 Age 47	Vice President and General Counsel	3/98-Present	Vice President, General Counsel and Secretary of Janus Capital; Vice President, General Counsel, Secretary and Director of Janus Distributors, Inc., Janus Service Corporation, Janus Capital International Ltd., Janus Institutional Services, Inc., and Janus International Holding Company; Vice President. General Counsel and Director to Janus International (Asia) Limited and Janus International Limited; Vice President, General Counsel and Secretary to the Janus Foundation and Director for Janus Capital Trust Manager Limited and Janus World Funds. Formerly, Executive Vice President and General Counsel/Mutual Funds (1994-1998) of Prudential Insurance Company.
Bonnie M. Howe** 100 Fillmore Street Denver, CO 80206 Age 36	Vice President	12/99-Present	Vice President and Assistant General Counsel to Janus Capital, Janus Distributors, Inc. and Janus Service Corporation. Formerly, Assistant Vice President (1997-1999) and Associate Counsel (1995-1999) for Janus Capital and Assistant Vice President (1998-2000) for Janus Service Corporation.
Kelley Abbott Howes** 100 Fillmore Street Denver, CO 80206 Age 36	Vice President and Secretary	12/99-Present	Vice President and Assistant General Counsel to Janus Capital, Janus Distributors, Inc. and Janus Service Corporation. Formerly, Assistant Vice President (1997-1999) of Janus Capital; Chief Compliance Officer, Director and President (1997-1999) of Janus Distributors, Inc.; and Assistant Vice President (1998-2000) of Janus Service Corporation.
Glenn P. O'Flaherty** 100 Fillmore Street Denver, CO 80206 Age 43	Treasurer and Chief Accounting Officer	1/96-Present	Vice President of Janus Capital. Formerly, Director of Fund Accounting (1991-1997) of Janus Capital.
Loren M. Starr** 100 Fillmore Street Denver, CO 80206 Age 40	Vice President and Chief Financial Officer	9/01-Present	Vice President of Finance, Treasurer and Chief Financial Officer of Janus Capital. Formerly, Managing Director, Treasurer and Head of Corporate Finance and Reporting (1998-2001) for Putnam Investments; and Senior Vice President of Financial Planning and Analysis (1996-1998) for Lehman Brothers, Inc.
Heidi J. Walter** 100 Fillmore Street Denver, CO 80206 Age 34	Vice President	4/00-Present	Vice President and Assistant General Counsel to Janus Capital, Janus Distributors, Inc. and Janus Service Corporation. Formerly, Vice President and Senior Legal Counsel (1995-1999) for Stein Roe & Farnham, Inc.

*Officers are elected annually by the Trustees for a one-year term.
**"Interested person" of the Trust by virtue of positions with Janus Capital.

Report of Independent Accountants

To the Trustees and Shareholders
of Janus Aspen Series

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Core Equity Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Growth and Income Portfolio, Janus Aspen Strategic Value Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Global Life Sciences Portfolio, Janus Aspen Global Technology Portfolio, Janus Aspen Global Value Portfolio, Janus Aspen Flexible Income Portfolio and Janus Aspen Money Market Portfolio (constituting the Janus Aspen Series, hereafter referred to as the "Portfolios") at December 31, 2001, the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolios' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2001, by correspondence with the custodians and brokers, provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Denver, Colorado
February 7, 2002

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Jersey City, NJ 07302
Tel (800) 992-3863

Credit Suisse Asset Management, LLC
P.O. Box 9030
Boston, MA 02205-9030
Tel (800) 222-8977

The Dreyfus Family of Funds
149 Glenn Curtiss Boulevard
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Tel (800) 554-4611

INVESCO Funds Group, Inc.
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